

## Cincinnati Sweeps World Series



Members of the Cincinnati Reds were jubilant after beating the Oakland Athletics, 2-1, in Game 4 of the World Series, giving them a four-game sweep and the 1990 baseball championship. Page 21.

## A Lebanese Chief Is Killed

### Chamoun, Ex-Leader's Son, Backed Aoun

By Ali Jaber  
New York Times Service

BEIRUT — Gunmen posing as soldiers killed Dany Chamoun, the head of one of the principal Lebanese Christian clans, and his wife and two sons at their home in East Beirut on Sunday.

Mr. Chamoun, whose father was president of Lebanon from 1952 to 1958, was a close associate of Major General Michel Aoun, the rebel Christian military leader who was forced to surrender to the government on Oct. 13 and has taken refuge in the French Embassy.

The general's surrender, after an attack by Syrian and Lebanese Army troops, was hailed by Lebanese leaders as a sign that prospects were improving for a peaceful settlement of Lebanon's 15-year-old civil war.

But the killings on Sunday raised concern that a new round of violence might erupt between rival Christian factions and possibly between Christian forces and the Syrian Army.

Mr. Chamoun, 56, inherited his political career and the presidency of the National Liberal Party, a rightist Christian group, from his father, Camille. As president in 1958, the elder Chamoun asked the United States to send troops to preserve his government, which he said was threatened by an internal Muslim and leftist rebellion and a new military regime in Iraq. The Eisenhower adminis-

tration sent 10,000 Marines, who stayed from July to October. The former president died in 1987.

Dany Chamoun also led an armed faction of Lebanese Christians after the civil war began in 1975. He was a staunch supporter and adviser of General Aoun, who fought against the Syrian-backed government of President Elias Hrawi.

Mr. Chamoun was also a rival to the hard-line Christian militia leader Samir Geagea, who fought General Aoun early this year for the military leadership of the Christian community and lost.

After General Aoun's surrender, Mr. Chamoun refused to escape to an area north of Beirut held by his enemies, preferring to stay at home in the East Beirut suburb of Baabda under protection of pro-Syrian Lebanese Army soldiers, his neighbors said.

Security officials said a dozen gunmen in camouflage uniforms surrounded the apartment building where Mr. Chamoun lived at 7:10 Sunday morning. Some of them burst into his fifth-floor apartment and shot him as he answered their knock at the door.

Then they fired silencer-equipped pistols and machine guns at his wife, Ingrid; their two sons, 5 and 7 years old, and their 11-month-old daughter. Only the daughter survived.

The assassins fled in two cars, the security officials said.



Edward Heath and Saddam Hussein during talks Sunday concerning the fate of British hostages.

## Iraq Will Free Some Britons, Heath Is Told

### Ex-Prime Minister Says Step Came as Result of His Visit

Compiled by Our Staff From Dispatches

BAGHDAD — President Saddam Hussein told Edward Heath, the former British prime minister, on Sunday that he would release an unspecified number of Britons held in Iraq.

Mr. Heath, after three hours of talks with Mr. Hussein, said arrangements would be made for some men to return home on Tuesday.

"The president assured me," Mr. Heath said, "that some will be returning as a result of my visit." Mr. Heath had been criticized by Conservative politicians in Britain for his attempt to gain freedom for sick or elderly British captives.

Mr. Heath is, after President Kurt Waldheim of Austria, the most senior Western politician to visit Iraq since the crisis began. Mr. Waldheim was in Baghdad in late August.

A Finnish delegation will return Monday from Baghdad after failing to negotiate the release of 14 Finns in Iraq, Finnish national television reported Sunday.

Iraq, meanwhile, conceded Sunday that it was feeling a significant impact from economic sanctions. But in an indication that it was not prepared to yield, it said its army was on full alert and ready to confront U.S.-led forces.

Iraq's press agency, INA, played up reports of demonstrations in the United States against U.S. military intervention in the Gulf.

INA quoted the semiofficial newspaper Al-Thawra as saying that economic sanctions, imposed by the United Nations in an effort to force Iraqi troops from Kuwait, "conspicuously affect" the country.

Iraq announced Friday that it would begin rationing gasoline on Tuesday for private cars, trucks and taxis, but not the military.

Dick Cheney, the U.S. defense secretary, said Saturday in Paris that the embargo imposed on Iraq was starting to have a serious impact on the Iraqi economy and its ability to sustain its occupation force.

After talks with the French defense minister, Jean-Pierre Chevenement, Mr. Cheney said the U.S. and French governments were hopeful that Iraq's growing economic difficulties would persuade Mr. Hussein to withdraw from Kuwait and accept a peaceful resolution of the Gulf crisis.

But Mr. Cheney stressed that the United States had "not ruled out other options," such as the use of military force, in ousting Iraqi troops from Kuwait. He said Washington believed it had sufficient authority under the United Nations charter to undertake a military action.

#### Crisis in the Gulf

U.S. aides find it hard to assure achievable goals. Page 5.

OEPEC's secretary-general discusses the oil outlook. Page 11.

Debate goes on over policy before the invasion. Page 5.

## Iraq Said to Be Learning How to Use Captured U.S. Missiles

By R. Jeffrey Smith  
Washington Post Service

WASHINGTON — Iraqi military forces are beginning to learn how to operate sophisticated U.S. Hawk anti-aircraft missiles and radars that were captured in Kuwait and brought back to the Baghdad area, U.S. officials and government analysts have disclosed.

The development has aroused concern because the Iraqis captured about 150 of the highly accurate missiles, which, in the hands of properly trained military technicians, could pose a substantial threat to U.S. and allied warplanes if they attacked Iraqi targets.

Many U.S. and allied military aircraft in the region have no ready means of protection against the Hawk system, the officials said. They said initial concerns stemming from the capture of the Hawks during Iraq's

invasion of Kuwait in early August increased a week ago, when electronic intelligence operations in the region detected the first signs of Hawk radar operation at a test site for air-defense equipment near Baghdad.

The radar emanations indicated that Iraq was "playing around" with the weapon systems, as one official put it, but still remained weeks to months away from deploying them.

Although U.S. officials publicly dismissed any possibility two weeks ago that the Iraqis could operate the complex weapons, a senior U.S. analyst said last week that "in a while, the Iraqis will know how" to use them.

A U.S. official who specializes in military intelligence agreed and said the development "will complicate our planning if we actually go after Baghdad —

and the more complex the operation, the more likely we are to suffer losses."

A senior military official said a classified report of the Iraqi action was swiftly circulated to policymakers last week because the Hawk "is a damn good system, and we would not like to see the Iraqis operate it."

One official said Iraq had captured four or five Hawk installations, each containing six missile launchers. Each missile is designed to strike a high-speed aircraft flying at low-to-medium altitude up to 25 miles (40 kilometers) away.

The missiles are said to be superior to any anti-aircraft weapon in the Iraqi arsenal and identical to the best equipment now possessed by Saudi Arabia. An industry source said the version captured by Iraq

was improved in the mid-1980s to avoid defeat by modern electronic countermeasures.

Although U.S. Air Force officials have admitted that there is no protection against the missiles, one official said commanders were "not worried now" because the captured Hawk systems were still being tested. The official said that even if the systems became operational, "we feel we can deal with them" through radar jamming and evasive aircraft maneuvers.

But other officials said Washington had been so concerned about the missiles that senior Jordanian officials were asked about Israeli reports that Jordanian technicians were teaching the Iraqis how to use

See HAWK, Page 4



CHAIN OF COMMAND — Policemen blocking a "human chain" of dissidents Sunday at the U.S. air base at Yokota near Tokyo after several civic groups linked up against a government plan to order Japanese Self-Defense Force personnel to the Middle East.

## Arab Worker Stabs and Kills 3 Israelis

By Jackson Diehl  
Washington Post Service

JERUSALEM — An Arab construction worker wielding a 16-inch knife killed three Israelis on Sunday in a normally quiet West Jerusalem neighborhood, re-igniting passions between Arabs and Jews here less than two weeks after riots on the Old City's Temple Mount.

Following the killings, which ended when the worker was sub-

dued and arrested, crowds of Jews attacked Arabs and journalists and stoned cars on roads leading to the occupied West Bank. The police ordered heavy reinforcements onto the streets to prevent further violence.

The Arab assailant, a 19-year-old man from Bethlehem, shouted "Allahu Akbar," or "God is Great," as he stabbed his victims. Authorities said he may have been

motivated by a desire to avenge the deaths of about 20 Palestinians shot by the police in the Temple Mount clashes Oct. 8.

The three victims included an 18-year-old female soldier, a 43-year-old gardener and a 26-year-old off-duty policeman, who shot the Arab twice in the legs before falling dead. A 13-year-old boy was lightly wounded, the police said.

Witnesses said the assailant, who

had worked at a construction site in the area, suddenly attacked the soldier as she walked away from her home, in uniform but unarmed. "I saw a young man pounce on a young woman and stab her with deep wounds in the thigh," said Tript Kleiner, a local resident. "I screamed 'murder,' and he began to run away."

After leaving the soldier on the

See ISRAEL, Page 4

## Negotiations on U.S. Budget Stall Again

By Fred Farris  
International Herald Tribune

WASHINGTON — President George Bush's chief of staff, John H. Sununu, said Sunday that talks with Democratic congressional negotiators on a compromise plan to cut the federal budget deficit had collapsed.

Mr. Sununu said the talks had broken down because of Demo-

cratic intransigence. Before his announcement, an agreement had been expected Sunday night or Monday.

Administration officials and congressional Republicans had offered to raise the income-tax rate on wealthiest Americans without demanding a cut in the capital-gains tax rate in return.

This, in addition to hopeful comments from some of the principals

on Sunday television interview programs, had appeared to indicate progress in the negotiations between the White House and the Democratic-controlled Congress.

The root of the disagreement is in the method for raising taxes on the wealthiest Americans. Democrats have proposed a 7.5 percent surtax on incomes above \$1 million, but the Republicans would

rather limit tax deductions for people with those high incomes.

In angry tones, Mr. Sununu said Democrats "obviously would prefer not to accept an agreement which would solve the problem." He said that White House officials would be available to resume the talks, but only if the Democrats asked them to.

House-Senate negotiators met

See BUDGET, Page 4

### Klosk

#### Fed Aide Sees No Recession

ORLANDO, Florida (Reuters) — The governor of the Federal Reserve, David M. Williams, said Sunday that he did not foresee a U.S. recession.

"There's no question that the economy has been deflected down by the oil price," he said, speaking at the American Bankers Association convention. But he added, "We've seen no evidence of a dive."

"We see the economy going along at a steady pace," he said. "We expect in the near-term future for that to continue." He added that the Fed would try to keep money and credit growing at a restrained pace.

#### General News

Not obscure, a rap music group's jury found. Page 3.

A former top official offers insights into the East German intelligence service. Page 6.

A bill passed by the U.S. Senate would let airport fees to a national noise policy. Page 2.

A North Korean official sees few lessons in the reunification of Germany. Page 2.

Business/Finance

GATT talks are threatened by EC subsidy wrangling. Page 11.

Gasoline prices are soaring, oil firms' profits are not. Page 11.

Crossword Page 6.

Weather Page 2.

## Soviet Disbelief Sets In After '70 Years of Myth'

By David Remnick  
Washington Post Service

KARAGANDA, U.S.S.R. — Little more than a year ago, a young coal miner named Pyotr Schlegel led a strike here on the steppes of Kazakhstan that terrified the Kremlin, increased salaries and provided hope where once there had been none. Mr. Schlegel became a curious new character in the modern Soviet drama: a Western-style working-class hero.

Mr. Schlegel, 28, now heads both the standing strike committee and the regional miners union, a chapter of 120,000 workers.

Some here believe that Mr. Schlegel has more power now than the local Communist Party officials. He is certainly more popular. But like many of the "young democrats" across the Soviet Union — from the mayors of Moscow and Leningrad to the would-be entrepreneurs of the Pacific island of Sakhalin — Mr. Schlegel has dis-

covered that he is nearly powerless against the economic collapse.

"The truth is that for all the gains we appeared to make during the strike in July 1989, life now is a lot worse," Mr. Schlegel said during a drive through some of the grim mining towns around Karaganda.

"Now that the state stores are completely empty, the only way to buy things is on the private market, or even on the black market. And that costs a lot more than anything we ever got in raises."

At the biggest state grocery store in Shakhinsk, a mining center of more than 100,000 people, the only goods available were sacks of rice and macaroni, jars of watery fruit juice and a huge wire basket of rotten apples.

"Oh, it's a happy, happy life," Mr. Schlegel said with a pained smile.

A gray, smoldering mass of rust and poured concrete, smokestacks and field sinkholes, the city is a joyless, ashen land-

scape of heavy industry. Karaganda is a model for what Mr. Schlegel calls "the whole, sick system."

"Our lives are falling apart," said Vladimir Smolenski, another member of the strike committee. Workers at the mines, factories and construction projects now find themselves with little or no fuel to fire their stoves and heat their homes; no fruit, vegetables or meat to feed their families.

Huge, ill-conceived construction projects such as the Karaganda airport all half-finished for years for want of materials, corroding before they are ever used. And so, in a city of 675,000 people, people use a shed for animals and departures.

Nothing here seems to get done or cleaned or fixed. Deliveries never arrive. The crime rate is on the rise. The mines are unsafe — 50 workers die every year from accidents in the Karaganda pits.

Mention the debate over changes in Moscow and hopes for a renewed economy

under a 500-day plan and you get a withering look.

At the Kostenko mine, the biggest in the area, miners said they had no confidence at all in their immediate futures. And what was worse, perhaps, they had no sense of how any single worker could make a difference.

"We have had 70 years of myths in this country, and now we have a new myth about '500 days' and all the rest," said Alexander Khailo, who has spent 18 of his 34 years shoveling coal in the Kostenko mines. "Would you believe it?"

Retirement-aged workers, many of whom suffer from various lung and heart ailments, find they must stay in the mines to support their families.

Khalid Khadiso, who is in his 50s, is eligible to collect a pension but said, "Nowadays no one can afford retirement."

See SOVIETS, Page 4



The Washington Post











# CIA Defector Says He Revisited West

By David Remnick  
Washington Post Service  
MOSCOW — Edward L. Howard, the first former CIA agent ever to defect to the Soviet Union, says that since his arrival here in 1986 he has visited the West "five to seven times."  
Mr. Howard said in an interview that he had dodged Western intelligence services while traveling in France, Canada and Mexico. He also said he had visited Nicaragua, Cuba and Eastern Europe since asking for asylum at the Soviet Embassy in Budapest four years ago.  
"I don't think any secret service can deal with multiple names, multiple passports," Mr. Howard said. Asked why he had traveled so extensively with the risk of capture, he replied, "For fun."  
Mr. Howard said that the KGB had objected but that "it's my butt." He said his only relationship with the KGB was that "they provide for my security."  
Mr. Howard, who lives with two round-the-clock KGB guards at a huge, brick dacha outside Moscow, met alone with a reporter Saturday at the house and later at a German restaurant in the International Hotel in Moscow.  
When asked Sunday and asked why he had decided to talk with the reporter, Mr. Howard said he was replying to a recent item in the "Whispers" column of the magazine "U.S. News & World Report" saying that he had been depressed and had committed suicide by slashing his throat. He said the Cen-



On Capitol Hill over the weekend, Democrats worked on the latest budget plan. From left: Representative Richard A. Gephardt of Missouri, Senators George J. Mitchell of Maine and Lloyd Bentsen of Texas, and Representative Dan Rostenkowski of Illinois.

## BUDGET: U.S. Budget Talks Stall on Method of Taxing the Rich

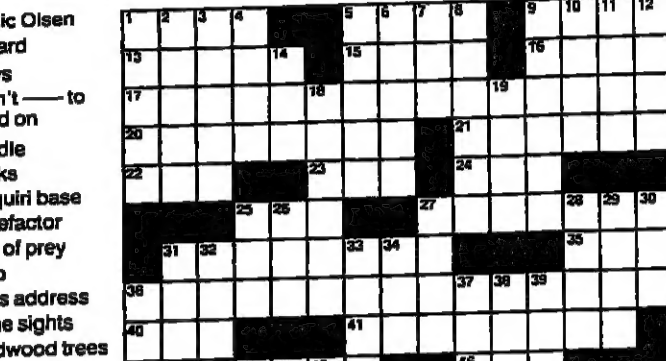
(Continued from page 1)  
privately Sunday to try reconciling their differing bills on how to cut the budget by \$40 billion in the fiscal year that started Oct. 1 and by \$500 billion over five years.  
A bill agreed to by the House and the Senate must be sent to the White House for presidential signature or veto. Congress is under additional pressure to wind the battle up because of congressional elections looming Nov. 6.  
The Senate Democratic leader, George J. Mitchell of Maine, had said earlier that he hoped there would be an agreement on the deficit-cutting plan by late Sunday. But he repeatedly criticized President George Bush, who has abandoned his "no-new-taxes" position, for objecting to increasing income taxes on those with an annual income of more than \$200,000.

"The president's first plan would actually have reduced the tax burden on those making more than \$200,000 and increased taxes on everyone else," Mr. Mitchell said in a television interview.  
Speaking for the Democrats, he added: "We feel that those who earn over \$200,000 should pay a fair share of the deficit-reduction burden. I don't understand why the president has been so opposed."  
Democrats have repeatedly sounded the theme that the Republicans represent the rich, and the administration's offer was seen in Washington as an attempt to blunt that political war cry.  
"There is some feeling that if we don't flatten the bubble, it will be right back again next year," said Senator Bob Dole of Kansas, the Republican leader, on Saturday. He referred to the anomaly that

# Mahathir Coalition Wins a Big Majority in Malaysia Voting

Compiled by Our Staff From Dispatches  
KUALA LUMPUR, Malaysia — Prime Minister Mahathir bin Mohamad's ruling coalition won a two-thirds majority in general elections on Sunday over a loose grouping of opposition parties.  
In vote counts early Monday, Mr. Mahathir's National Front had won 121 seats in the 180-member lower house to 45 for the combined opposition. Four independents were elected.  
"We can now form the government," said Mr. Mahathir, 64, who won his third election since becoming prime minister in 1981.  
Because of the ruling coalition's entrenched power and patronage, anything less than a two-thirds majority in the parliament would have been regarded as a setback for Mr. Mahathir. The two-thirds majority is also required to win approval of constitutional amendments.  
There were no major upsets in the results compiled so far. Most analysts said National Front candidates were firm favorites.  
Mr. Mahathir's coalition of 10 largely ethnically based parties was competing against a grouping of six opposition parties.  
The opposition alliance is also ethnically based. It is headed by a former trade and industry minister, Tun Razaleigh Hamzah, who split with Mr. Mahathir in 1987.  
Analysts described the short campaign since the election date was announced Oct. 5 as one of the angriest in Malaysia. Vote-seekers made use of volatile religious issues and threats of retaliation.  
At stake in the election was control of the lower house in Parliament and 11 of the 13 state legislatures. Sabah and Sarawak hold separate state elections.  
About 7.9 million Malaysians, age 21 and older were eligible to vote.  
Voting is not compulsory in the nation of 17.8 million, but there were long lines at polling stations Sunday.  
No outdoor rallies or political processions have been permitted in Malaysia since racial riots broke out after the 1969 elections left hundreds dead in Kuala Lumpur. That bloodshed occurred after Chinese parties made inroads in Malay political dominance.  
Muslims, mostly Malays, account for about 53 percent of the population. Chinese make up about 32 percent, with Indians and other races making up the balance.  
Islam is the official religion, but the state government in Sabah is led by Christians. The biggest pre-election surprise was the defection by the Sabah United Party, which controls the state, from the National Front to the opposition.  
Mr. Mahathir, a canny and combative personality, has been campaigning hard for two months and shows no ill effects from a multiple bypass operation.  
But many observers expect a third term to be his last, and a strong showing by Tun Razaleigh, 53, a former finance minister, might put him in a good position to become the next prime minister.  
Tun Razaleigh might continue to try to mold his coalition of smaller parties into an alternative government. Or, conceivably, Mr. Mahathir might be able to rejoin the long-dominant Malay organization he left.  
In 1987, Tun Razaleigh challenged Mr. Mahathir for the leadership of the United Malays National Organization, the ruling coalition's main party. After losing narrowly, Tun Razaleigh fled the country, calling for a new vote.  
In the end, he was forced to break away, founding a rival party called Spirit of '46, after the year in which the United Malays National Organization was founded. He formed an alliance with the main Islamic, Chinese and Indian opposition parties, agreeing to field one candidate in most districts.  
(AP, Reuters, NYT)

- ACROSS**
- 1 Bistros
  - 5 Drop heavily
  - 9 Cummerbund
  - 13 Lend (often)
  - 15 Hawaiian city
  - 16 Caesar's lover
  - 17 Go on a spree
  - 20 Rough calculation
  - 21 Snarl
  - 22 — volatile
- DOWN**
- 23 M. Anderson's "High —"
  - 24 Farm animal
  - 25 Swiss river
  - 27 Annoying
  - 31 Kind of punishment
  - 35 Loser to D.D.E.
  - 36 Stop suddenly
  - 40 — one's words (recant)
  - 41 Writer like Agnes Repplier



**Solution to Friday's Puzzle**

SMUG VEGA JIHAD  
LAGUT ANIL ELEGY  
OSLO MALA KOINE  
PHILIP CARRY BOR  
VET ALLENS  
STARED PEGLEG  
HARES VIVE AGRA  
EARP BITER SEAR  
ALOE ANON MERLE  
WATSON FESSES  
BESTIR LOO  
ELM MARCUSWELBY  
ALIVE AUNT RARE  
RATER TRAE ARIL  
ASHES LEER TAEIL

## ISRAEL: Arab Worker Stabs and Kills 3 in Jerusalem

(Continued from page 1)  
ground and wounding the boy, the worker rounded a corner and set upon the owner of a nursery who was carrying plants to a shop. He knocked him down and stabbed him repeatedly, witnesses said. Then, the police said, he rose to confront the police officer, a member of an anti-terrorist unit, the paramilitary Border Police who ran out of his home when he heard screams.  
The police said the policeman fired a warning shot into the air from his 9mm pistol, then fired at the attacker's legs, wounding him in both of them. Nevertheless, the Arab managed to reach the police-

man and stabbed him in the chest, the police said. He was then subdued by other local residents.  
The deaths seemed to mark another of the vicious cycles of retaliatory violence that have plagued Jerusalem this year. In May, following the murder of seven Arab workers by an Israeli gunman in the suburbs of Tel Aviv, Arab assailants responded with a series of pipebomb attacks in Jerusalem, including an explosion in the central market that killed one person and wounded nine. In August, the police blamed Arab nationalists for the abduction and slaying of two Jewish Jerusalem teenagers, sparking riots.

After those riots, Israeli authorities said, the two largest Palestinian organizations in the occupied territories, the PLO's Fatah faction and the Islamic Resistance Movement, or Hamas, issued leaflets calling for attacks on Israelis with lethal weapons, such as knives and guns. In its leaflet, Hamas told supporters to "murder or kill any soldier or Jew," and named Sunday and Monday as dates for attacks, though it said these should be in the form of arson against Israeli forests and agricultural fields.  
The police did not say whether the latest attacker was connected to a political organization or what his motives were.  
But the slayings prompted new calls for harsh measures against Palestinians by Israeli politicians. Police Minister Romi Milo said the Border Police officer should not have hesitated to shoot to kill the Arab attacker immediately, rather than aiming at his legs. Other politicians in the rightist government proposed that Palestinians from the occupied territories be banned from working inside Israel.  
Following the killings, several hundred Israeli soldiers gathered in the Baka neighborhood, and some attacked Arabs still working at nearby construction sites. Eventually, a crowd of more than 100 men and women marched up toward two major nearby traffic arteries connecting West Jerusalem with Bethlehem, and began stoning Arab cars. The crowd broke windows in several cars and assaulted a number of persons.

When the miners' strikes broke out in July 1989 in Kazakhstan, Siberia and the Ukraine, President Mikhail S. Gorbachev tried to turn disaster to his advantage, claiming that the "revolution from above" had finally given rise to a "revolution from below."  
Strike committees like Mr. Schlegel's went to war against the old trade union structures, which were traditionally little more than a layer of Communist Party bureaucrats protecting Kremlin interests.  
For Mr. Schlegel, the first months were heady ones as the local party officials struggled to placate the miners.  
He not only took command of the union and tried to turn it into an organization that defended the interests of the workers, but also scared the complacent scab who work at the one attractive building in town — the regional Communist Party headquarters.  
These days, Mr. Schlegel and Mr. Senzoulski spend much of their time commuting to Moscow, petitioning government ministers.  
"Our biggest enemy is chaos, the lack of any system, any organization at all," Mr. Schlegel said. "How can anyone believe in radical reform in the meantime when not one presidential order is fulfilled?"  
"We may not need an iron hand here but we need an iron law," he said. "There is an expression here — *shulam balam*, meaning 'all screwed up.'"  
Until Moscow finally decides it can create a new system and the law is the law, that is what we will be: *shulam balam*.

### Dining Out

<b>AMSTERDAM</b> <b>HAESJE CLAES</b> Real Dutch Cooking. Open from lunch until midnight. Reservations 275. Tel. 54 99 98. Reservations recommended. All major credit cards.	<b>PARIS 6th</b> <b>YUGARAJ</b> Of all the Indian restaurants, this is by far the best & most authentic (GALLIENAL). 14, rue Dauphine. Tel. 42.26.44.91.	<b>PARIS 8th</b> <b>KOK PING</b> On the Champs-Élysées. Gastronomic Chinese and Thai restaurant. Menu about 230 FF TTC. Closed Saturday/Sunday noon. 4, rue Babou. Tel. 42.26.85.	<b>PARIS 17th</b> <b>PETRUS</b> Restaurant specializing in fish. Menu 240 FF TTC. Service until 11 p.m. every day. Valid services. 12, Place du Marché Juv. Tel. 43.80.15.95.
<b>FLUNSBURG</b> <b>CHEZ PAUL</b> "Head of the North" German/Danish. 800 * Delicious French cuisine in one of the best and charming restaurants in Northern Europe. Phone 0461-7023.	<b>PARIS 7th</b> <b>CHEZ LES ANGES</b> In the Michelin Guide. Burgundy Spec. Gastronomic cooking. C. on Sun. eve. 54, Bd. Latour-Maubourg. Tel. 47.05.89.26.	<b>PARIS 15th</b> <b>LE WESTERN</b> The only restaurant with specialty imported beef from the U.S. Business lunch FF. 270, wine included. Open daily. T. 42.73.92.00. Paris Hilton, 18, Ave. de Suffren.	<b>LE TERNES-PERIERE</b> Close to Porte-Maillot and the Palais des Congrès. Restaurant/Bistro. Continental service from noon to midnight. Sheffield, fish, steak, open all year. 84, av. des Ternes, 75017 Paris. Tel. 43.74.33.35.
<b>PARIS 1st</b> <b>L'ALSACE AUX HAUTES</b> Shellfish. Fish. Charcuterie. Day and night. 16, rue Copernic. Tel. 42.36.74.24.	<b>THOUROMELUX</b> Specialties of the South-West. Confit de canard & cassoulet au confit de canard. Open everyday. 79 r. St-Denis. Tel. 01.47.05.49.75. Near Invalides Terminal.	<b>PARIS 17th</b> <b>DA MEO PATACCA</b> Trattoria. Best. Famous for fun food, music & folklore. 00153 Rome, Piazza dei Mercanti 30. Tel. 06-5816198. 589212. Fax 582225.	<b>ROME</b> <b>DA MEO PATACCA</b> Trattoria. Best. Famous for fun food, music & folklore. 00153 Rome, Piazza dei Mercanti 30. Tel. 06-5816198. 589212. Fax 582225.
<b>CONALI CARR</b> AUBERGE DE FRANCE Bar - Restaurant - Warm Vibe French and Irish cooking. 1, rue du Mont Thibaut. Tel. 42.60.60.26.	<b>PARIS 7th</b> <b>LA PETITE CHAISE</b> Delicious cuisine of the oldest and most charming restaurant in Paris. Menu 140 FF daily. 35, rue de Chateaufort. Tel. 42.22.13.35.	<b>CHEZ FRED</b> Lyonnais bistro, traditional French cooking. Daily specialties. Closed Sunday. 190 Bd. St. Germain, 75007 Paris. Tel. 47.42.48.46.	<b>KERVANSARAY</b> Turkish & Lev. specialties, lobster bar, best seafood restaurant, 1st floor. Maritimes. 2. Tel. 51.89.43. Air conditioned. 50 m. Champs-Élysées. 6.4 p.m. - 1 a.m., except Sunday. Open holidays.

### INTERNATIONAL CLASSIFIED

(Continued From Back Page)

<b>INTERNATIONAL ESCORT SERVICE</b> Head office in New York 1841 Broadway, Ste 1000, NYC 10023 212-765-7896 MAJOR CREDIT CARDS AND CHECKS ACCEPTED	<b>THE ZOE PARTNERSHIP</b> BIRMINGHAM Europe's most sophisticated Escort Agency LONDON 071 221 8453 Credit Cards Welcome	<b>MADRID SHADOWS</b> Escort Service Telephone 341-822993	<b>CROWN CLUB LTD</b> NEW ESCORT SERVICE (212) 488-2271	<b>AT YOUR SERVICE</b> VP ESCORT AGENCY LONDON All Credit Cards Welcome 581 2811, 9AM-MIDNIGHT	<b>MERCEDES</b> VP ESCORT AGENCY LONDON All Credit Cards Accepted (071) 351 6646	<b>ESKORTS &amp; GUIDES</b> <b>ZURICH SUSAN</b> ESCORT SERVICE Tel. 01/382 05 80	<b>CHERSEA ESCORT SERVICE</b> 51 Grosvenor Place, London SW1. Tel. 01-294 4513 Established 18 years.	<b>KINGS INTERNATIONAL</b> * Escort Service Tel. 01-424-4191	<b>ZURICH</b> Top Escort Service. Tel. 01/2227-409	<b>GENEVA MELODIE</b> ESCORT SERVICE Tel. 022/46 11 58	<b>NEW ITALY LITE ESCORT</b> FRENCH ITALIAN SWEDISH UPPER CLASS VIP MODER SERVICE LONDON & Leeds 071 581 2267	<b>ZURICH DIANA</b> 071 271 38 55 Individual Escort Service.	<b>ZURICH</b> Caroline Escort Services 01/232 6174	<b>CHERSEA ESCORT SERVICE</b> Chersea's Escort Service Tel. 021 - 49 30 66 / 49 35 40	<b>ZURICH AMANDA AGENCY</b> Guide Service. Tel. ZURICH 333.55	<b>ZURICH</b> Escort Service. 01/241 17 67
--	--	---	---	--	--	--	--	--	---	---	--	--	---	---	--	---

### ESKORTS & GUIDES

**VIENNA** BERT's Escort and Guide Service. Tel. 713 81 72.  
\* \* \* GENEVA \* \* \*  
OPEN 7 DAYS. Tel. 021/701 2772.  
\* \* \* ZURICH \* \* \*  
Tel. 021/222 7400.  
\* \* \* LONDON \* \* \*  
Tel. 021/222 7400.  
\* \* \* PARIS \* \* \*  
Tel. 01/222 7400.  
\* \* \* AMSTERDAM \* \* \*  
Tel. 020/222 7400.  
\* \* \* BRUSSELS \* \* \*  
Tel. 02/222 7400.  
\* \* \* COPENHAGEN \* \* \*  
Tel. 33/222 7400.  
\* \* \* STOCKHOLM \* \* \*  
Tel. 08/222 7400.  
\* \* \* HELSINKI \* \* \*  
Tel. 09/222 7400.  
\* \* \* BUDAPEST \* \* \*  
Tel. 1/222 7400.  
\* \* \* PRAGUE \* \* \*  
Tel. 2/222 7400.  
\* \* \* VIENNA \* \* \*  
Tel. 4/222 7400.  
\* \* \* ZURICH \* \* \*  
Tel. 5/222 7400.  
\* \* \* LONDON \* \* \*  
Tel. 6/222 7400.  
\* \* \* PARIS \* \* \*  
Tel. 7/222 7400.  
\* \* \* AMSTERDAM \* \* \*  
Tel. 8/222 7400.  
\* \* \* BRUSSELS \* \* \*  
Tel. 9/222 7400.  
\* \* \* COPENHAGEN \* \* \*  
Tel. 10/222 7400.  
\* \* \* STOCKHOLM \* \* \*  
Tel. 11/222 7400.  
\* \* \* HELSINKI \* \* \*  
Tel. 12/222 7400.

### Herald Tribune

Yes, I want to start receiving the H.T.  
This is the subscription term I prefer (check appropriate boxes):

<input type="checkbox"/> 12 Months \$64 issues in all with 22 bonus issues.	<input type="checkbox"/> 6 Months \$32 issues in all with 13 bonus issues.	<input type="checkbox"/> 3 Months \$16 issues in all with 6 bonus issues.
---	--	---

My check is enclosed payable to the International Herald Tribune.

CARD EXPIRY DATE: \_\_\_\_\_  
SIGNATURE: \_\_\_\_\_  
CARD ACCT. NO.: \_\_\_\_\_  
NAME: \_\_\_\_\_  
ADDRESS: \_\_\_\_\_  
CITY/CODE: \_\_\_\_\_ COUNTRY: \_\_\_\_\_  
TEL./FAX/RETURN: \_\_\_\_\_

22-10-90

Return your completed coupon to: Subscription Manager,  
H.T., 181 Avenue Charles-de-Gaulle, 92521 Neuilly Cedex, France.  
The offer expires December 31, 1990, and is available to new subscribers only.

### Jagore RESTAURANT

A glimpse of the menu at 160 francs including wine  
Home made Foie Gras de Canard  
Pommes de Terre with Cress  
Peach Bavarois

Lively atmosphere  
Open every day until 12:15 a.m.  
Ft. & Set with 1 a.m.

90, Avenue Jean-Jacques, 75019 Paris  
Tel. 40.40.39

### HEATH An Iraqi Pledge

(Continued from page 1)  
itary assault if necessary and would not be obliged to seek further approval from the UN Security Council.  
France, which maintains the second-largest Western force in the Gulf after the United States, has insisted that the Security Council sanction any offensive military action undertaken by the West against Iraq.  
In London, Foreign Secretary Douglas Hurd said Sunday that making any concession to Mr. Hussein to "withdraw from Kuwait would be 'very dangerous for the future.'"  
He said it was important that the alliance "holds firm" on an unconditional Iraqi withdrawal from Kuwait, restoration of its government and freeing of hostages.  
"Anything which blurs that is clearly a mistake," he said.  
(Reuters, AP, AFP, NYT)



Author Coalition  
a Big Major  
Malaysia Voting



War veterans joining nearly 10,000 demonstrators who marched in Manhattan to protest U.S. military involvement in the Gulf.

## In Gulf, Possibilities but No Certainties

By James LeMoyné  
New York Times Service

RIYADH — Two and a half months after American forces were sent to Saudi Arabia and other Gulf nations, military commanders and political officials are finding it difficult to assure achievable goals in an ambiguous conflict whose outcome they cannot easily control. In interviews over the last three weeks, American, Saudi and European military and political officials have pointed to the growing realization that if war comes, its human, economic, and political costs are likely to be high.

They say there is little prospect of winning a neat "victory" in such a conflict and that its consequences for the region and for the United States could prove severe. "We can retake Kuwait and hit the Iraqi army hard," an American official said. "But what happens after that is hard to say."

At present, American and other forces are engaged in a steady military buildup designed to accompany diplomatic pressure on Iraq. Barring unexpected developments, American officials say they do not foresee a war beginning for at least two months. They add that the United States and other countries are likely to seek further United Nations backing before initiating any military attack.

American forces are not yet fully deployed in the desert here, and a British armored brigade is just arriving. In the air, American fighters are testing Iraqi defenses by flying at the border and recording the signals of Iraqi radar, but pilots say the Iraqis often foil the exercise by refusing to turn on their electronic equipment.

In the midst of such preparations, no official can say with assurance when war may begin, nor how, and when it might end. American military planners and political analysts here run countless scenarios — all of them possible, none of them certain.

Officials say prediction is difficult because of shifting alliances and sudden developments in a Middle Eastern region that is inherently unstable. American planners say they have yet to decide if

their goal is simply to liberate Kuwait, or to destroy the Iraqi military, Iraqi weapons factories, and the Iraqi leader, Saddam Hussein, as well, perhaps by sending a multinational force to occupy Iraq. There is little doubt that the forces here can retake Kuwait and destroy much of Iraq's army and air force. But there are grave doubts about the costs of occupying Iraq and the future of a defeated Iraq.

Saudi and American officials say war with Iraq may deepen the identity crisis Arab societies have been suffering for decades as they confront a period of threatening change that many see as spurred by Western societies they both admire and fear.

"The way we win will be as important as winning itself," an American diplomat said. "We have to think about Iraqi and Arab reaction to a humiliating defeat at the hands of the United States."

American planners admit they cannot predict the reaction of the Iraqi people to an outside attack, especially the reaction of the country's Shiite Muslim majority. Several diplomats said the ideal scenario would be to force an Iraqi withdrawal that brings the downfall of Mr. Hussein. But they admit

that there is no assurance of this and no certainty that a more-mainstream leader would replace him. Uncertainty is heightened by the possibility that Iraq or Syria might invade Iraq to seize disputed territories, or that Iraq's long-abused Kurdish people will rise up and demand a state of their own.

There is also a realization that American and civilian casualties may well be high in a war of rockets, heavy armor, poison gas and possibly biological weapons. The Western hostages held in Iraq may die. Leaking poison from bombed Iraqi chemical plants may kill civilians.

American officials have sought as much Arab participation as possible in the military force that may attack Iraq. But so far, Arab nations have sent minimal troops, increasing the political exposure of American, British and French forces.

There appears to be a possibility that American forces could find themselves used by Arab nations in a regional feud that, but for the importance of oil, appears distant from traditional American concerns. This is a region dominated by rigid military dictatorships and Arab monarchies.

In the event of war, American

planners expect a new wave of terrorist strikes against American and European targets. They say they fear American embassies could also be attacked in several Arab countries, especially Jordan.

"The American Embassy in Amman will probably burn," an American official said.

Several diplomats said they feared further polarization between Israel and the occupied Palestinian population it controls. If Iraq were to attack Israel, American officials say, the conflict could easily widen to include other Arab countries.

It is a scenario that causes planners here particular concern. Faced with Arab demands and the need to assure future oil supplies, American and international pressure may grow on the Israeli government to negotiate autonomy for the Palestinians.

Saudi, Kuwaiti and American officials say war with Iraq will redefine attitudes toward the defense of oil reserves and the Gulf countries that hold most of them.

It appears likely that a multinational force will remain, backed by a security pact aimed at imposing a degree of stability in a long-volatile region where Iraq, Iran and Saudi Arabia will continue to compete for influence.

## More Evidence of Mixed U.S. Signals

By David Hoffman  
Washington Post Service

WASHINGTON — President George Bush sent a message to President Saddam Hussein of Iraq days before the invasion of Kuwait saying that the United States wanted better relations with Baghdad but was concerned about Mr. Hussein's threats to use force against his neighbors, according to administration officials.

The presidential message was drafted after the U.S. ambassador, April C. Glaspie, was summoned by Mr. Hussein on July 25 and after Washington officials received a report from Ms. Glaspie.

Mr. Bush's message to Mr. Hussein may step up the debate over the administration's policy toward Iraq before the invasion. The message, as described by officials, suggests that the White House was still sending mixed signals to Mr. Hussein after Ms. Glaspie's report of their meeting.

The message was supposed to have been given to Mr. Hussein by Ms. Glaspie, but she did not see him again before the invasion on Aug. 2. Ms. Glaspie instead took the message to Foreign Minister Tariq Aziz, an administration official said. Ms. Glaspie left Iraq just before the invasion.

In the July 25 session, Mr. Hussein lectured Ms. Glaspie about his complaints against Kuwait and the United Arab Emirates. According to an Iraqi transcript of the meeting, Ms. Glaspie responded by saying that the United States had no position on the border disputes with Kuwait. Ms. Glaspie said the United States wanted better relations with Iraq and gently inquired about an Iraqi troop buildup.

This meeting has fueled charges that Ms. Glaspie and the administration sent the wrong signal to Mr. Hussein on the eve of the invasion. Mr. Bush and Secretary of State James A. Baker 3d have acknowledged that U.S. policy was to try to work with Mr. Hussein, but they have branded as "indiscreet" the accusation that the administration may have encouraged Mr. Hussein to think he could invade Kuwait without a harsh U.S. reaction.

Senator Claiborne Pell, Democrat of Rhode Island, the chairman of the Foreign Relations Committee, urged Mr. Baker at a hearing last week "to conduct a search and review of U.S. policy and actions preceding Mr. Hussein's aggression."

Mr. Pell said that the Senate had tried four times before the invasion to impose sanctions on Iraq "for its repeated violations of international law" but that both the Reagan and Bush administrations had resisted the efforts.

According to administration officials, Ms. Glaspie immediately sent an account of her meeting with Mr. Hussein back to State Department officials in Washington.

The Middle East Policy Survey, a newsletter that reported the Bush message this week-end, said Mr. Hussein telephoned President Hosni Mubarak of Egypt in Ms. Glaspie's presence on July 25 to assure Mr. Mubarak of Iraq's "peaceful intentions."

The newsletter said Mr. Hussein was conducting an "elaborate ruse" to mislead U.S. officials. Ms. Glaspie was summoned to the July 25 meeting with Mr. Hussein on such short notice, U.S. officials said, that she did not have time to seek guidance from Washington.

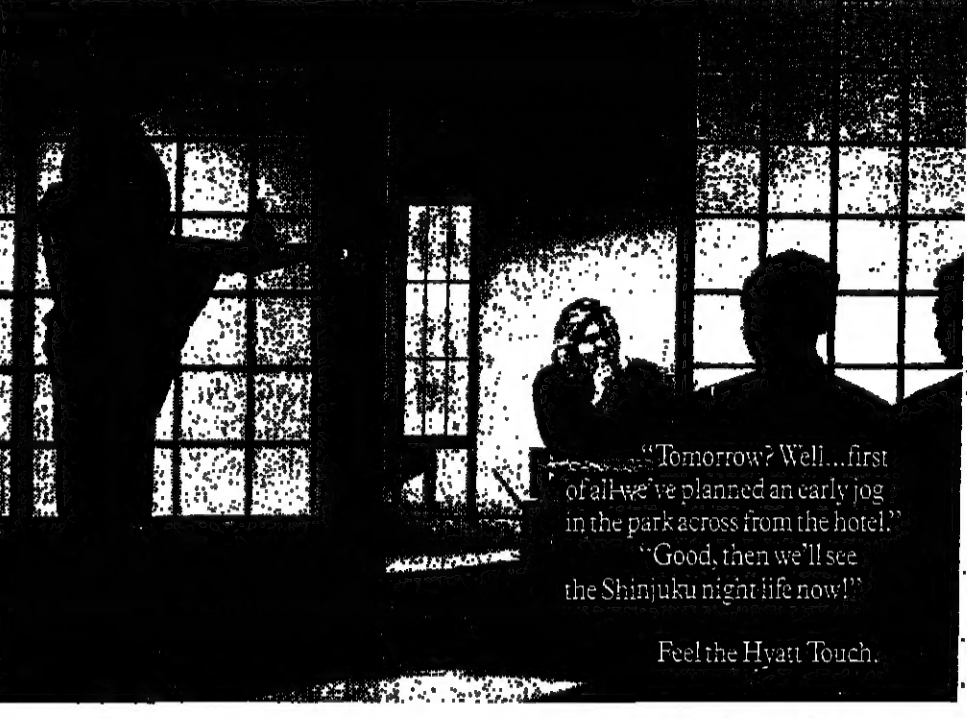
Nevertheless, Ms. Glaspie's performance has provoked debate among U.S. officials, some of whom believe she should not have taken the upbeat line she did with Mr. Hussein. Others say she was following administration policy even without specific instructions.

One official said the White House, after receiving Ms. Glaspie's report, wrote a response to Mr. Hussein from Mr. Bush, which was transmitted through the State Department to the embassy in Baghdad on July 28. This was a day or two before news reports surfaced, quoting Western diplomats in the region, that Iraq had dramatically increased the number of its troops on the Kuwaiti border, up to about 100,000.

The official said this was a "presidential message" that had been drafted by the White House. The normal procedure with such messages for foreign leaders is that a cable conveying the message is often sent ahead, with a paper copy to follow. But in urgent cases, such as this one, the message was sent without a paper copy.

The exact wording of the Bush document could not be learned, but officials said it was a mixed message. Mr. Bush repeated that the United States wanted better relations with Iraq. At the same time, however, the message said Mr. Bush believed "the use of force or the threat of using force was unacceptable," one official said.

The message said the United States would "support our other friends in the region," apparently a reference to other Gulf states such as Kuwait and the United Arab Emirates, although they were not mentioned by name, the officials said.



Tokyo, Japan

HYATT  
CENTURY HYATT TOKYO

2-7-2 Nishi-Shinjuku, Shinjuku-Ku, Tokyo 160, Japan.

For reservations and more information about Hyatt Hotels and Resorts worldwide, call your travel planner or your nearest Hyatt

Peter Keppler  
presents

Gala Evening Dresses  
Cocktail Extravagance

on October 18 - 23rd 1990

at the Hotel George V  
Avenue George V - Paris  
Salon 154. Tel. (1) 47.23.54.00



## "TUBORG...YOU TOO?"

For generations Tuborg has been part of the noble art of beer drinking in all European countries.

SOVIET  
Loving the

HEALTH  
to health

age 1  
ON  
e 9  
tu-  
aid  
inc.  
by  
ter,  
had  
sed  
w-  
mt,  
vrs  
its  
lso  
sh-  
se-  
he  
the  
ive  
re-  
an  
of  
a-  
ni  
a-  
ch  
u-  
re  
j-  
re  
t-  
ng  
da  
it-  
ia-  
s  
197  
his  
the  
re-  
ag-  
s in  
go  
ints  
yan

LGA



# Inside the Stasi Spy Network: How East Germany Became a Haven for Terrorists

By Lally Weymouth

Washington Post Service

In united Germany, a heated debate persists over whether to grant unconditional amnesty to former East German intelligence agents who worked for the Stasi — the all-powerful state security service that for 40 years controlled the German Democratic Republic.

Those who oppose general amnesty unless it is accompanied by public confessions argue that such a policy would allow Stasi agents to emerge unpunished, and perhaps unidentified, in powerful new posts, or even to work for the Soviets, undetected by the West.

In an extensive interview, a former high-ranking East German intelligence official who fled to the West a few months ago offered details on how his country became a central base for international terrorism.

Many of the details given by the defector cannot be verified, but West German officials familiar with his background consider him to be one of the most important East bloc intelligence agents to have emigrated.

The defector, who insisted on anonymity, described an East German spy network that was a haven for terrorists of all kinds. Carlos, the nom de guerre of Ilich Ramirez Sanchez, an international terror chief, was welcomed to East Berlin, as were Georges Habash, head of the

Popular Front for the Liberation of Palestine; Abu Nidal, the Palestinian terrorist leader, and Abu Dawoud, who organized the massacre of the Israeli Olympic team at Munich in 1972. Yasser Arafat, the Palestine Liberation Organization leader, was a frequent visitor.

In East German training camps, terrorists and would-be terrorists were taught sabotage and related arts. Some of the "students" were Sandinistas from Nicaragua, others were Chilean "dissidents."

The defector also revealed that East German intelligence received advance word that Libyan agents were planning to blow up a West Berlin discotheque in April 1986 — an incident in which two people, including a U.S. serviceman, died and more than 60 Americans were injured.

The East Germans, the defector said, even notified their Soviet mentors in advance. The attack, which led directly to the American bombing of Libya, took place 13 months after President Mikhail S. Gorbachev came to power.

The East German defector provided details concerning the Stasi-KGB relationship. Until 1988, he said, advisors from the Soviet intelligence agency were in charge of each Stasi unit.

By the 1970s, he said, the relationship had changed. "We no longer were subordinate partners but equals," he said.

The defector said that there was a common electronic data storage center in Moscow for all the East European services. "This is where all information of all security services on international terrorism was brought together," he said.

The top priority of the Stasi and the KGB, he said, was to work against the intelligence services of the West. "We worked especially jointly against foreign intelligence services, including the CIA and the Israeli intelligence service," he said.

One operation the Stasi conducted with the KGB took place in 1987 when they cavedropped on a female CIA staffer attached to the U.S. Embassy in East Berlin. "We tapped her private apartment because she talked too much and revealed a lot about the CIA station," the defector said. "Because of that, we were able to identify U.S. agents in Eastern Europe."

The defector says that by operating Arabs as double agents against the Israeli intelligence service, the Mossad, "we learned about the modus operandi of Mossad, its objectives, missions and staff in Europe."

Yet, he observed, both the Stasi and the KGB admired the Mossad. "It was the best intelligence service globally and the most dangerous because of its ruthlessness in neutralizing opponents," he said. "The KGB was not satisfied with

the result of its activities against the Mossad."

Among the Arab countries that sponsored global terrorism were several close allies of East Germany — Syria, Libya, Iraq and Yemen. The East German president, Erich Honecker, "believed that whatever was detrimental to imperialism was to our benefit," he said.

The defector said that many Arab embassies in East Berlin were filled not with diplomats but with intelligence operatives. In the embassies of these Arab states, he said, were "huge arms depots, containing large quantities of explosives."

These arms and explosives were channeled from the embassies to various Arab terrorist groups based in East Germany. They were then used, he said, to strike at targets in Western Europe.

The defector described the training camps that served the PLO terrorist factions based in East Germany. "All component organizations of the PLO could send cadres for training," he said. Special attention was given to the PLO's security brigade trained by the Stasi in counterintelligence.

East German intelligence, the defector said, gave the PLO training information it had collected concerning U.S. intelligence services. East Germany also warned Arab terrorists if and when the Stasi learned that a Western intelligence service was on alert to arrest a terrorist.

The defector was reluctant to address the Stasi's widely acknowledged role in orchestrating terrorist attacks against West Germany and other Western countries. He did acknowledge that East Germany "had a vital interest in destabilizing" the Bonn government.

According to West German intelligence officials, East Germany and the other East bloc countries

offered "genuine, active support measures for international terrorism."

Stasi agents, the defector said, learned about the Libyan plan to bomb the West Berlin discotheque at least four weeks in advance. He said that Mr. Honecker and the Stasi chief, Erich Mielke, were given detailed plans of the terrorist attack before it took place.

The defector said he informed the Soviets that an attack was planned. "I personally told my counterparts in the KGB," he said. "I know for sure that this went to Moscow immediately."

As for the Red Army Faction, whose specialty was killing and kidnapping West German businessmen and politicians, the defector claimed to have only peripheral knowledge gleaned through Arab terrorists. After PLO officials had been trained by the Stasi, he said, they took their newly gained expertise and passed it on to the Red Army Faction in training camps in Libya, Syria and Yemen. The defector also acknowledged that East Germany offered shelter to leading Red Army Faction members.

The relationship between the Stasi and the KGB changed once again when Mr. Gorbachev came to power in 1985. The Soviet leader's relationship with Mr. Honecker was strained and thus, according to the defector, "our practice was to some extent to work against the KGB."

Between 1985 and 1988, "we thought cows reigned in Moscow, while we were successful," the defector said. "We felt Honecker was superior to the Soviets."

*Glasnost and perestroika did not slow the Stasi down, the defector said. Indeed, "there has never been a restriction on offensive intelligence work since Gorbachev came to power," he said.*

By 1988, he said, the Soviets decided they could no longer work with Mr. Honecker, and their strategy was to remove him from office without destabilizing East Germany.

Mr. Mielke was chosen to coordinate the overthrow of Mr. Honecker and the installation of his successor, Egon Krenz.

In a secret meeting in early October 1989, Mr. Mielke decided to use force if necessary to achieve the transition, the defector said.

"There were clear-cut plans to take action against what were called counterrevolutionaries," he said. The plans, he added, included "precise lists of persons to be arrested and interned."

But the Soviets decided not to go along with the use of force, he said.

Mr. Krenz's ouster was negotiated in a secret conference on Nov. 12, 1989, in the Soviet Embassy in East Berlin. The defector said that present at this meeting were Mr. Krenz; Valentin Falin, chief of the International Department of the Soviet Communist Party Central Committee; Markus Wolf, the former Stasi chief, and Hans Modrow.

Mr. Modrow, who had close ties to Moscow, according to the defector, was designated as Mr. Krenz's successor.

Is the terror network still intact or has it collapsed along with communism? "The net has been broken up," the defector said. But, he

warned, some former Stasi agents now work for the KGB, and "more certain conditions, parts of the net could be reactivated."

The Soviets, the defector said, have lists of Stasi agents and informers. He said he was approached last year by the KGB and asked to become an undercover agent. "Much to my surprise, the KGB knew better about my most valuable sources than I," he said.

If unconditional amnesty without full and public confession is granted to former Stasi agents, the defector argued, many of them will remain undiscovered, and "nobody in the West has any guarantee as to whether some of these agents will be reactivated by the KGB."

## Bonn Shuts 5 East Reactors

Soviet-Built Plants Unsafe and Too Costly to Rebuild

By Marlene Simons

New York Times Service

PARIS — The German government has informed Soviet officials that it will shut down five Soviet-built nuclear power reactors in former East Germany territory by mid-December because they are unsafe and the cost of adapting them is prohibitive.

Officials at the Nuclear Energy Agency, which is based in Paris, said the German decision would increase pressure to close at least 26 similar reactors scattered across Eastern Europe and the Soviet Union.

New understanding of the reactors' hazards has deeply worried specialists, who argue that any accident not only would harm the population but also would jeopardize the climate for all of nuclear energy.

"These machines are very far off our own regulations and requirements," said a safety expert at the Nuclear Energy Agency, an agency of the Organization for Economic Cooperation and Development. "Not marginally off, but incredibly far off."

Germany has ordered the hasty construction of a \$30 million oil-fired power plant to replace some of the energy produced by the five nuclear reactors. Other parts of eastern Germany are to be supplied from the west's power grid.

But it is considered unlikely the Soviets will take similar

steps. A spokeswoman for the German environment minister, Klaus Töpfer, said that when Mr. Töpfer went to Moscow last week to announce the German decision, Soviet officials said that "they are not able to modernize any of their plants — there's no money — and they said they cannot afford to close any because they need their energy."

Soviet nuclear physicists are reported to have recently told their Western colleagues that energy shortages might even force them to reopen some old, deactivated nuclear plants.

But the problem is equally vexing for Czechoslovakia, Hungary and Bulgaria, which have the suspect Soviet nuclear plant models on their soil.

Energy specialists said that in all three countries, nuclear physicists and politicians had been debating the risks. But not one of the governments has decided whether to drastically upgrade or shut down the plants.

Officials in all three countries say they face impossible energy choices — they have cheap coal, but it is highly polluting; the cost of imported oil was burdensome even before the crisis in the Gulf drove up prices, and now they are told their nuclear reactors pose enormous risks.

At issue are plants with pressurized water reactors, the technology which is widely used in the West. No country outside the

Soviet Union has the so-called graphite reactors, the type that caused the 1986 disaster at Chernobyl.

The reactors that have caused the most concern are known as VVER Model 230. The 440-megawatt reactors were designed in the 1960s and built in the 1970s. One of the reactors came close to meltdown during a fire in 1976.

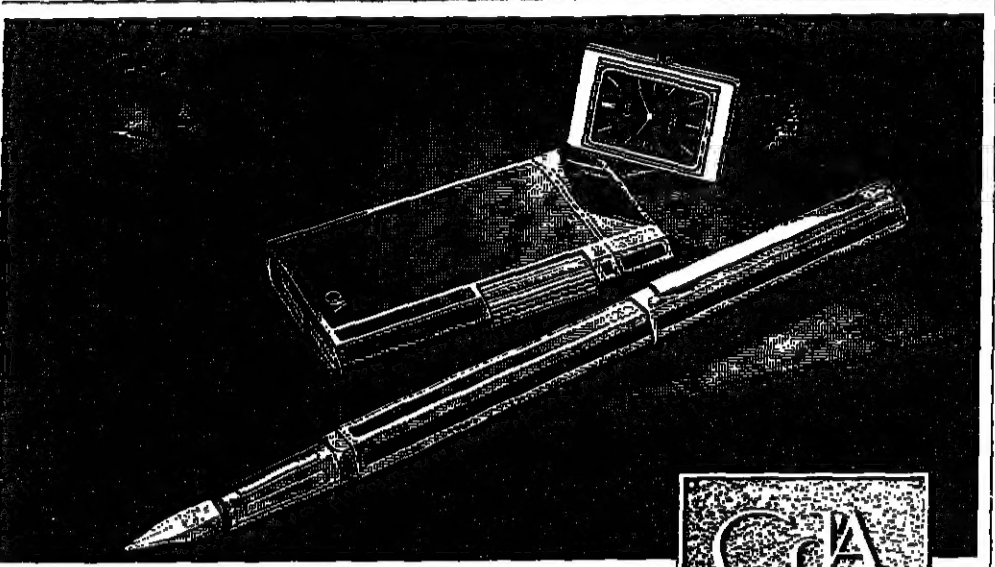
The five reactors scheduled for closing in eastern Germany — four at Greifswald and one at Rheinsberg — are of that type.

Earlier this year, before the unification of Germany, the West German government persuaded East Germany to suspend operations temporarily at three of the Greifswald reactors, and Germany now plans to take the other two out of service by mid-December.

Five more model 230s are in operation in the Soviet Union, four in Bulgaria and two in Czechoslovakia.

Western experts are also concerned about a newer and improved 440-megawatt design, known as VVER Model 213. There are four such reactors in Hungary and six in Czechoslovakia.

Still pending is a decision about the future of five more modern nuclear reactors still under construction in former East German territory. Four of them are near Greifswald and the other is at Stendhal.



CARAN d'ACHE  
GENÈVE

The Hexagonals by Caran d'Ache. A complete range of reliable writing instruments and matching lighters with built-in reserve tank, a Caran d'Ache exclusivity. Ten micron gold-plated and dressed in genuine Chinese Lacquer. And an accurate watch, water-resistant to 30 m, available in three sizes for men and women.

CARAN d'ACHE S.A. - P.O. BOX 169 - CH-1226 THONEX-GENÈVE - SWITZERLAND - TEL. (022) 48 02 04 - Tlx. 418 570 FAX - FAX (022) 49 84 12

## Herald Tribune

Published With The New York Times and The Washington Post

Now Printed in Tokyo For Same-Day Delivery to Most Homes & Offices in Japan

To subscribe call our Tokyo office

(03) 201 0205

Or write: TJM, 2F, Mainichi Newspaper, 1-1-1 Hitotsubashi, Chiyoda-ku, Tokyo 100  
Or Telex: 33673. Or Fax: (03) 214 4045.

## CAREER OPPORTUNITIES

### Group Chief Internal Auditor

c \$170,000  
Europe

This publicly quoted international private banking group has an enviable reputation for providing a high quality professional service which is tailored to the specific needs of its clients.

The group wishes to appoint a dynamic Group Chief Internal Auditor, based in Switzerland, with pan-European responsibilities for spearheading the development of a proactive audit function dedicated to the delivery of tight financial and management controls appropriate to the business.

As befits this position, you will report directly to the Audit Committee on all strategic and operational aspects of the department, which extend to ensuring compliance of the group's activities with both local and

international regulatory requirements.

You are currently the head (or frustrated number two) of an operational audit department with exposure to developing and implementing the audit approach to computerised accounting systems in a multi-locational environment.

A background in the financial services sector is not a prerequisite for this role and experience of computer-assisted audit techniques, whilst desirable, is likewise not essential.

A qualified Chartered Accountant (or CPA) aged 35 plus, you are well versed in large corporate structures and have a personal commitment to the provision of a commercially-oriented audit service.

You will be fluent in both English and

French. In addition, residency status in Switzerland is highly desirable.

If you believe that your skills and experience equip you to meet the exciting challenges offered by this role — which promises significant career opportunities within the group for the right candidate — please contact Christopher Hetherington on 071-939 3000 (direct line: 071-939 5731) or write to him quoting reference C/1105/HT enclosing a CV and full salary details. Complete confidentiality regarding your initial contact is assured.

**Executive Selection Division**  
**Price Waterhouse**  
**Management Consultants**  
No. 1 London Bridge  
London SE1 9QL  
Fax No: 071-403 5265.

Price Waterhouse



23-24-25  
OCTOBRE

liaisons sociales  
FORUM  
EXPO  
LE FORUM DE LA GESTION DES RESSOURCES HUMAINES

CNIT PARIS-LA DÉFENSE

Demandez le programme  
tel. : 48.05.91.05



### Speechwriter

Capture the magic  
of Disney...

Near Paris, in the spring of 1992, Euro Disneyland will open its doors to the world, with five wonderlands in the Magic Kingdom - Frontierland, Adventureland, Fantasyland, Discoveryland and Main Street USA, including twenty-nine fantastic attractions, together with shops and restaurants. A vast resort complex with six hotels, an entertainment centre, campground and golfcourse will welcome our visitors.

Today, you can enter this kingdom of dreams. Within the communication team, you will write speeches conveying the magic of Disney and of Euro Disneyland, for a European audience. You are of American mother tongue with a good knowledge of French and have at least 4 years experience in a similar position, so you can contribute to the success of this historic enterprise E.E.C. work permit required.

Please send your CV in French and English, without delay, with the reference MK/0230/HT to Euro Disneyland, Service Recrutement, BP 110, 94350 Villiers-sur-Marne, France.

Euro Disneyland S.A.

a serious invitation to join the fun

### DIRECTOR FIELD OPERATIONS

United States based international community service organization with 325,000 members in 76 nations seeks a Director for its Field Operations. Duties include membership marketing, new club formation, communications and training, and coordination of initiatives in Eastern Europe.

Desired qualifications include marketing or association background, exceptional communication skills, fluency in at least one European language as well as English, demonstrated international experience, a graduate degree in a related field, and a willingness to travel extensively.

This position may be based in Europe. It is expected to be filled no later than January 1, 1991. Interviews will be held in late November and early December. All inquiries are to be faxed to: Human Resources Department attention John Merski Jr. at (317) 879-0204 no later than November 16, 1990.

### EXECUTIVES AVAILABLE

#### EXPANDING INTO POLAND?

Polish national. Swiss based. 2 years experience with a major multinational company in business development. Government level contacts.

Languages: PL, Eng., F, Rus.

Seeks challenge as project/business dev. manager for Poland. May relocate.

Please write to:

I.H.T., Box No. D349,  
181, ave. Charles de Gaulle,  
92521 Neuilly Cedex, France.

### PADCO, Inc.

is recruiting  
in the following areas:

- urban, regional, environmental planning
- transportation planning, management
- municipal engineering, solid waste
- GIS/LIS/MIS, image processing
- public finance, capital markets
- housing and land markets
- privatization of urban services
- urban/regional economics

Languages: French, Spanish, Polish, German, Bahasa, Thai or Philippino.

PADCO,

P.O. Box 50149, Washington,  
D.C. 20091-0149.



ROULLIER

FRANCE  
GRANDE-BRETAGNE  
BENELUX  
ALLEMAGNE  
SUISSE  
AUTRICHE  
ITALIE  
ESPAGNE  
CANADA

Le Groupe Roullier (3 milliards de FF de CA et 2000 collaborateurs) s'active depuis plusieurs années à INTERNATIONALISER et DIVERSIFIER ses activités industrielles et commerciales : fertilisation, agro-fourmures, traitement hygiène et détergence, équipements agricoles, plasturgie, agro-alimentaire, biotechnologies marines.

Pour faire face à notre expansion exceptionnelle - par croissance interne et externe - nous recherchons plusieurs

### ADRES A HAUT POTENTIEL

Marketing - Commercial - Gestion  
Bilingues Français

Après avoir intégré au sein de notre Direction du Développement International la culture originale de notre Groupe, vous êtes appelés à renforcer le management commercial et général de nos 20 sociétés françaises et étrangères. Européens, diplômés d'enseignement supérieur, juniors ou confirmés, aux talents et tempérament d'exception, une carrière nationale ou internationale très évolutive vous est proposée, jusqu'aux plus hauts niveaux de responsabilités.

Merci d'adresser : en français - lettre manuscrite, CV et photo (en précisant vos motivations géographiques et vos prétentions) sous réf. 94 à notre Direction des Ressources Humaines BP 158 - 35408 St Malo cedex - France - Tél. 02.98.22.22.25 Une documentation sur notre groupe peut être adressée. Les premiers entretiens pourront se dérouler dans votre pays.

La croissance maîtrisée

### Management Consultants

The Organization Planning Staff is charged with developing a framework of organizational policies for the World Bank Group, monitoring organizational change within it, supporting institutional decisions on organizational issues and disseminating information on organizational practice inside and outside the institution. We are seeking two or more Management Consultants to plan and lead projects concerned with the organizational design, and the organizational effectiveness and efficiency of the Bank Group.

The Management Consultants will be part of a small highly skilled group reporting to the Head of ORG. Responsibilities include: developing organizational policies; monitoring organizational effectiveness; analyzing organizational issues of institutional significance and recommending appropriate solutions; and keeping abreast of current development in organizational practice within and outside of the Bank Group.

Qualifications include 10 years experience as an internal or external management consultant preferably in both the public and private sectors; an advanced degree(s) in public and/or business administration; excellent presentation, writing and interpersonal skills; sensitivity to cultural and political dynamics and their organizational implications; demonstrated capacity for creative and innovative thinking; and ability to operate effectively under pressure both independently and in cooperation with others.

Applicants please submit curriculum vitae to: The World Bank, Attn: Pauline B. Ramprasad, 1818 H Street, NW, Room 9-4146, Washington, D.C. 20433, U.S.A. Or fax to Ms. Ramprasad at (202) 477-8834.

The World Bank



# Saab hasn't just reduced the emissions.



80-120 km/h in 7.8 sec.

THE NEW SAAB 9000 2.3 TURBO. Emissions: Approx. 20% decrease of hydrocarbons and nitrogen oxides compared to our 150 bhp version. Fuel consumption, 90 km/h: Highway 0.71, city 1.16, combined 0.96 l/100 km (KOVFS 1988-1). Performance: 60-100 km/h, 5.9 sec (4th gear), 80-120, 7.8 sec (5th gear), 0-100 8.0 sec. Torque: 330 Nm (DIN), 2000 rpm.

THE NEW SAAB 2.3 TURBO—an engine which combines emission control with the latest power enhancements.

With 200 brake horse power and a new generation turbo charger, it has greater force than most high performance cars when overtaking.

The driving power goes from 80-120 km/h in only 7.8 seconds (in 5th gear), and delivers maximum torque at 2000 rpm.

Remarkably, this turbo engine is also one of the most civilized members of the Saab family, with a fuel efficiency roughly equal to the 150 bhp injection version, and with a 3-way catalytic converter without poisonous warm ups.

Imagine, more handling power without more cylinders to feed, reducing both overtaking time and pollution.

The new Saab 9000 2.3 Turbo. It's pure power and pure pleasure.

## The new Saab 9000 2.3 Turbo. Pure power by Saab.

For more information contact: Saab Response Service S-611 81 Nyköping, Sweden. Fax: +46-155-44527. Eligible for a tax-free Saab? Saab International and Diplomat Sales. Fax: +46-31 492381.



**SAAB**



# Herald Tribune

Published With The New York Times and The Washington Post

## The Weapon of Patience

The siege in the Gulf is not yet 12 weeks old, but the patience of some Americans already seems exhausted.

First came the Hasty Hawks, certain that support for sanctions against Iraq would evaporate, and thus eager to "take out" Saddam Hussein with a "surgical strike," oblivious to the cost in American lives now and Arab hostility forever. Enter now the Nervous Doves, their case urgently pressed by Jimmy Carter in *Time* magazine.

Curiously, both schools of thought proceed from the same dubious premise—that Saddam has greater staying power than the awesome coalition arrayed against him. This flattens a dictator and devalues democracy.

Fortunately, President George Bush's policy presumes otherwise, and assumes more of Americans. If the need to keep forces abroad for the long haul is presented clearly to the public, it will support a prolonged and costly commitment. It has done so for 40 years, for example, in Korea.

Mr. Carter raises familiar alarms. Oil prices are rising. Arab and Soviet support for a global embargo of Iraq is not solid, and a world of short attention span is bound to turn to other matters. But whereas Hasty Hawks would initiate hostilities, he would initiate peace talks.

There is nothing wrong with taking soundings in Baghdad, and with encouraging any intermediaries, including King Hussein of Jordan, to talk with Saddam's emissaries. A senior Soviet official who recently traveled to Iraq may make plain to its leaders that there can be no partial solutions. What would be folly is to let Saddam believe that he can engage in serious negotiations before unconditionally withdrawing from Kuwait.

Any softening of that demand would undermine the whole purpose of this ex-

ample instance of collective action. After only three months of embargo, Iraq is squirming. Gasoline, of all things, is about to be rationed. Baghdad, desperate for cash, is now offering to sell its oil for half price to anybody willing to violate the embargo. Food appears to be abundant in Baghdad, but as John Burns of *The New York Times* reports, shortages are crippling factories dependent on imported raw materials and spare parts. Disabled or idle equipment is a common sight. And hundreds of thousands of foreign workers have fled Iraq and Kuwait, taking with them their skills and their willingness to work at menial jobs.

No longer quite so defiant, Saddam now hints that his "irreversible" annexation of Kuwait might in fact be reversible—if the world rewarded him with access to the Gulf and possession of disputed islands and oil fields. This sounds like the first squeak from a cornered bully. Even at this early moment, the siege seems to be starting to work. What a stunning miscalculation and waste it would be to weaken now.

Early fears about the allies' Desert Shield have proved unfounded. The coalition has held, with negligible wobbles. The rapid buildup in Saudi Arabia has gone forward without serious incident. Wisely and correctly, the Pentagon has informed Congress that the siege might last many months.

Opinion polls show some falling off in the initial overwhelming American approval for Mr. Bush's Gulf strategy. This was inevitable. But now, as in Korea and Europe, most Americans understand that the presence of U.S. forces can keep the peace, protect economic lifelines and deter aggression. What the siege of Iraq needs most is time to work.

—THE NEW YORK TIMES

## A Nuclear Dividend

While the dramatic reduction in tensions between the United States and the Soviet Union brought much of a peace dividend in cash to the U.S. federal budget, other kinds of peace dividends are beginning to be visible. The secretary of energy, James D. Watkins, has announced that the extraction plant at Hanford, Washington, will not be restarted for the production of plutonium for nuclear weapons. The United States has a lot of plutonium on hand, more than present circumstances require.

The diminished nuclear rivalry with the Soviet Union comes at a fortunate time. For decades the American weapons plants operated behind a heavy shield of secrecy, but after the Soviet reactor disaster at Chernobyl in 1986 the Energy Department commissioned a series of unprecedentedly thorough and public assessments of its facilities. These showed that its weapons plants, built a generation ago, had suffered from hard use during their long lives and had fallen far behind current standards of nuclear safety.

The plutonium extraction plant at Hanford is typical. It was put into service in 1956, mothballed in the early 1970s, then started again in 1983 for the Reagan administration's buildup of armaments. When it was shut down two years ago, its safety and environmental defects were well known.

—THE WASHINGTON POST

## A Small Price for Art

Tax breaks for the very rich are not easy to defend, especially in the current congressional climate. Senator Daniel Patrick Moynihan of New York knows that; he has endorsed endless bills for proposing a tax break for wealthy families who give artwork to nonprofit organizations. But he is right to persist. There has been a sharp downturn in the number of gifts to museums since the passage of the 1986 tax reform, which made charitable giving more expensive. The Moynihan proposal would help undo the damage.

A 1989 survey of museums showed that within a year of the tax reform act, the value of objects donated dropped by one third. Another study found a two-thirds decline. Museum directors attribute the drop to the 1986 act, the general lowering of tax rates for the rich and the soaring spiral in art prices. They are persuaded that the only way to maintain the public-private partnership that supports museums is with incentives for private collectors to make donations.

One Western director reports that accountants have been telling their patrons that under present law they are much better off

selling their pictures, paying the tax on the appreciated value and giving at least some of the net profit to the museum. The museum is glad to have the money, but it, and the public, have lost what might well be a great and unrecouperable—painting.

A tax subsidy, museum directors unanimously proclaim, the only realistic alternative to direct public subsidies. And the cost of the tax incentive is small, less than \$100 million over five years.

In any case, there is a safe haven for members of Congress who are still uneasy about the appearance of seeking, not seeking, the rich. The tax subsidy need not cost low- and middle-income families even a dime. The conferees can approve Senator Moynihan's proposal, and make up the entire tax loss with a small increase in a provision that allows every family a modest amount of tax on matter how cleverly it arranges its financial affairs.

Surely Americans are better served when great works of art hang on museum walls for all to see, rather than in private salons, in America and abroad.

—THE NEW YORK TIMES

## Other Comment

### Coming Together in Asia

That Asia should be so recession-resistant ought to come as no surprise. Apart from Japan—and perhaps not even there—the complete consumer society with all its indulgences and extravagances is still a long way off. The work ethic has not been eroded. A willingness to make do with less for the sake of the children's future is a still powerful determinant of spending patterns. People save money as a matter of course. And Asian economies, being mainly export-oriented, are better geared to sustain growth even as the constant need to improve infrastructure creates jobs. Yet at the same time, rising prosperity lifts purchasing power and creates more locally generated demand. Cross-border

trade, investment and travel are increasingly making growth an interrelated regional phenomenon. Taiwan investors build factories in Thailand. Hong Kong money goes into Indonesian light industry, Malaysia, Singapore and Indonesia explore the advantages of industrial sharing. India sheds some of its old preoccupations and sees the potential of marketing its manufacturing skills. Thailand eagerly examines commercial opportunities in Vietnam. Everywhere neighbors put aside old enmities: South Korea and China, Japan and North Korea, China and the Soviet Union. As the values of the 1980s are wedded to 1990s perceptions of synergy, a Community of Asian Nations is emerging without conscious effort.

—Asiaweek (Hong Kong)

### INTERNATIONAL HERALD TRIBUNE

JOHN HAY WHITNEY, Chairman 1938-1982

KATHARINE GRAHAM, WILLIAM S. PALEY, ARTHUR OCHS SULZBERGER  
Co-Chairmen

LEE W. RUEBNER, Publisher

JOHN VINOCUR, Executive Editor • WALTER WELLS, News Editor • SAMUEL ABT, KATHERINE KNORR  
and CHARLES MITCHELLMORE, Deputy Editors • CARL GEWIRTZ, Associate Editor •  
ROBERT J. DONAHUE, Editor of the Editorial Pages • REGINALD DALE, Economics and Financial Editor

RENÉ BONDY, Deputy Publisher • RICHARD H. MORGAN, Associate Publisher •  
FRANÇOIS DESMAISON, Associate Editor • JUANITA L. CASPARI, Advertising Sales Director •  
ROBERT FARRÉ, Circulation Director, Europe • KOURDY HOWELL, Director, Information Systems

International Herald Tribune, 181 Avenue Charles-de-Gaulle, 92521 Neuilly-sur-Seine, France.  
Tel.: (1) 46 37 93 00. Telex: Advertising, 612832; Editorial, 612718; Production, 630698.

Directeur de la publication: Richard D. Simmons

Editor for Asia: Michael Richardson, 5 Convent Road, Singapore 0511. Tel: 472-7768. Telex: RS50288  
Ming. Dir. Asia, Hui F. Kwan, 30 Gloucester Rd., Hong Kong. Tel: 8610516. Telex: 61170  
Ming. Dir. U.K., Gary Thorne, 63 Long Acre, London WC2E 9LT. Tel: 836-4832. Telex: 263009  
Gen. Mgr. Germany: W. Lamber, Friedrichstr. 14, 1000 Frankfurt 14, Tel: (069) 767333. Telex: 476729  
Pres. U.S.: Michael Cowry, 650 Third Ave., New York, N.Y. 10017. Tel: (212) 933-3890. Telex: 47173  
S.A. au capital de 1,200,000 F. RCS Nanterre B 73201126. Commission Paritaire No. 61337

© 1990, International Herald Tribune. All rights reserved. ISSN: 0294-8052

## OPINION



## The World Needs a Strong European Community

By Flora Lewis

ROME—Western Europe's will to consolidate is faltering as the Community reaches a moment of decision. Something happened during the summer to dampen momentum from the intense drive to change and strengthen the Treaty of Rome into the start of a real constitutional union.

In mid-December, member states will begin two conferences in Rome, one on setting up a single currency and one on political integration. The goals are already being diluted and delayed. It is as though Britain's Margaret Thatcher had turned the tables and persuaded her partners that their national sovereignty mattered more than their search for the tower of unity.

This should worry the United States. With the collapse of Soviet political power, it would mean that America will be left as the only big kid on the global block, with nobody to share responsibility and tame impulse. It is not a healthy prospect for many reasons, including the temptation for the rest of the world to identify America as the main target for grievances.

A lot happened during the summer. The Gulf crisis set off by Iraq's invasion of Kuwait was dramatic. There has also been the emergence of a single German state, the switch

from euphoria to serious concern for the future of newly liberated Eastern Europe, and recognition that the Soviet colossus is disintegrating.

At first, the lack of an effective European capacity to make common decisions to deal with these startling developments spurred the sense of need to move rapidly. People began talking about writing a constitution, although they are still very fuzzy about whether it should be a piggyback nation, a federation, a confederation or just better coordination.

But determination of leaders has ebbed as they near the point where stirring words must be converted into deeds. They recognize that they face something new, without precedent in their history, just as the Eastern states have no precedent for replacing communism with liberal democracies. Germany's Helmut Kohl is somewhat encouraging again, but most of the others are shying away.

Italy's brilliant foreign minister, Gianni De Michelis, now says: "We shouldn't be talking about a European constitution; that's too fancy. It's an ongoing process. It might take decades to reach our objectives." The purpose, he says, must be to "prepare a pan-

European entity—it needs the core of the 12, but we can't be selfish, we 12."

His prime minister, Giulio Andreotti, talks vigorously but ambiguously on both sides, as many government heads are doing now.

They were addressing a meeting organized by the Bertelsmann Foundation, a private German-sponsored group dedicated to European unity. Its head, the publisher Reinhold Mohn, is trying to do something like what Jean Monnet, "the Father of Europe," did in the 1950s and '60s, to prepare the ground for forward leaps with careful studies. Its report said it found the people ahead of their elites in supporting bold measures.

But the devoted Europeanists, people like Emilio Colombo of Italy and Leo Tindemans of Belgium, are pessimistic now. Mr. Colombo put the challenge: "Can we found a community without sovereign institutions?"

He answered, "I think I'll lose." Still, he and a few others appealed for an organized power that "can sit alongside the U.S. as an equal."

It matters to Europe because the alternative is a time of rapid change is to risk sliding back to the system between the two world wars: rival states

seeking security and support through competing alliances. The idea was to find one's friend in "the enemy of my enemy," a formula for disaster.

It matters to the United States because this could unravel the basis for an orderly new international system, and confound the hopes aroused by the end of the Cold War. Nobody wants to go backward. But, as the last year has shown, history is not always patient with human reluctance for change and with the desire to move gradually. Opportunities lost don't wait for the courage to grasp them.

The United States cannot manage the world alone. It hasn't the resources, the wisdom or even the will. It is having a hard time running itself these days. And yet the world urgently needs sound management, to deal not only with acute new issues such as environment but also with virulent old issues—nationalism, power hunger, ethnic and religious hatreds.

A vital, confident and capable European partner is essential. The Gulf crisis has again shown the need, and the shortcomings. Time has not run out yet. America helped launch Europe on its new path. America's voice should be raised now to keep Europe on the track that is best for both.

The New York Times

## Working the Same Street but on Different Sides

By Stephen S. Rosenfeld

WASHINGTON—If the award of the Nobel Peace Prize to Mikhail Gorbachev reinforces his inclination to pursue peace in the Gulf, the fact remains that the sort of diplomatic initiative he is shaping must be at odds with George Bush, whose Gulf strategy is based in large measure on projecting a unity of Soviet and American policy and resolve.

The Soviet leader appears to favor precisely the outcome that Secretary of State James Baker belittles as the "siren song" of a "partial solution"—an incomplete withdrawal from Kuwait that leaves Iraq with selected oil fields and islands, a political deal in Kuwait that falls short of restoration of the old ruling family, and an overall settlement that keeps Saddam Hussein in power.

Saddam Hussein insists that he won't waver, yet he dangles hints of concessions. Whether his purpose is simply to confuse the coalition ranged against him or to prepare a fallback position is something that there are only two ways to tell.

One is to keep the pressure on—the approach currently embraced by the United States. Applying an embargo, a diplomatic squeeze and the threat of military confrontation, it has made Iraq's prior acceptance of United Nations demands for withdrawal and restoration a nonnegotiable condition just for opening a dialogue.

Here lies the diplomatic meaning, as distinguished from the propaganda meaning, of Mr.

Bush's repeated references to Saddam Hussein as a Hitler. It is not simply that Saddam has committed terrible human rights crimes and set himself on a path of aggression. With a Hitler you cannot compromise; the only acceptable result is a confrontation with him is his unconditional surrender.

American aims are worthy, even noble. The question remains whether the dogged pursuit of these aims may not progressively separate Mr. Bush from his allies and push him into military action in which the United States would have little international company and something less than enthusiastic domestic support.

The general mood on how Mr. Bush is doing on this score changes; he has had some good patches, and currently he is going through a bad one. To those who believe that the United States would be better off living with an imperfect Gulf compromise than accepting the costs and uncertainties of a shooting war, Mr. Gorbachev appears as a shining light to a potential alternative. He accepts the idea not only of dialogue but also of compromise. Having begun the dialogue, he is testing Iraq's readiness for compromise by trying to add an element of negotiation to the pressure that his government has applied through the United Nations resolutions. Amid varied signals from

Moscow, he recently sent to Baghdad an envoy, Yevgeny Primakov, who pronounced himself "optimistic" about Iraqi withdrawal. Mr. Baker's downing of a "partial solution" followed. Mr. Primakov has been in Washington for consultations.

The Cold War may be over but a quiet political struggle goes on between Soviets and Americans for regional influence and the mantle of leadership. It is a comfort that the two governments are together on rolling back and containing Iraq. Still, this policy is a broad street, and they are working different sides of it.

Close by Iraq, populated by 50 million Muslims, was a long American presence in the Gulf. The Soviet Union wants to end up with good neighbors and a stable neighborhood. Standing at a distance and seeing the crisis as a test of U.S. world reach and prestige, America wants a victory that lays down the rules of the new global game. These political tensions are aggravated by the personal burdens that the two leaders carry.

With so much at stake in reducing the menace of Saddam Hussein, it should not be impossible for the Soviet and American governments to harness their policies to that large end. They must find a way to rise above their tactical differences and seek out shared strategic terrain. It is a tough job for two governments unaccustomed to working together in this fashion, and an essential one.

The Washington Post

## Too Many Bush Fumbles in His Term's First Half

By James Reston

WASHINGTON—Most presidents run into unavoidable trouble by the time they reach mid-term, but George Bush is different. Many of his troubles were not only avoidable but predictable, and this has hurt him because they raise questions about his judgment.

In a way, criticism of his budget difficulties has been extreme. Fights between Republicans and Democrats over how to raise and spend money are unavoidable, but a few hundred billion on the table and they pounce on it like pit bulls. But the main thing is not that they disagreed about how to cut it up, but that they agreed to reduce the deficit by half a trillion dollars in the next five years. This may be the single most important economic decision of the last two years.

George Bush is better at the big things than the little things. His objective on the budget was admirable but his handling of it was comical, and when he is mocked as weak or indecisive he is unpredictable.

We saw this in the campaign when he overcame his better qualities and followed John Summit, Lee Atwater and James Baker down the low road. After he won, he promised to nominate the best advisers available and told Americans that they were living in an age of terror when life was fragile, and then picked Dan Quayle of Indiana for vice president. This was clearly an avoidable blunder, and an injustice to both Mr. Quayle and the country, which fortunately can be corrected next time if his party thinks about it.

The odd thing about George Bush is that he plans his fumbles. He did not have to promise not to raise

taxes in a future that he could not possibly foresee, or remind the country about his infamous wisecrack by telling the reporters during the budget mess to "read my hips." They read his hips instead.

He has done some very good things. No president since the last great war has made a greater effort than George Bush to reach out to the opposition leaders for compromise and understanding. He has been on television almost as much as Dan Rather, and has held more press conferences in more strange places than any president since the inception of that jumping-jack institution. He has many other good qualities, but foresight is not one of them.

When he ordered 200,000 men into the Arabian desert, he went on vacation and delivered his war communiqués from the back of a golf cart, and was genuinely surprised that most people didn't think this showed "grace under pressure."

In the middle of the budget crisis when he was trying to get the support of the leaders of the Democratic Party, he took time off to campaign in North Carolina for the re-election of Jesse Helms, of all people.

He was determined at the start to "hit the ground running," forgetting that this is what John Kennedy did when he ran into the Bay of Pigs, and Lyndon Johnson did when he ran into Vietnam.

All this troubles even many of his most loyal supporters.

One of his major foreign policy objectives was to persuade Mikhail Gorbachev not to use military force

to achieve political objectives in the Baltic states and Eastern Europe, but he invaded Panama against his treaty commitments to the United Nations in order to capture a two-bit dictator, and he didn't know what to do with him when he caught him. Having defied the United Nations in Panama, he then relied on it in Iraq.

It was not enough for him to blockade Iraq and punish Saddam Hussein as "another Hitler," but he insisted on sending the biggest U.S. army since the last war into the desert, not wanting to use it, not knowing how to get it out and facing more the taunts of the armchair warriors, who say he must not only restore the independence of Kuwait but also get rid of Saddam Hussein and the threat of Iraq's army as well.

This is a dangerous situation for a president dropping in the popularity polls and facing both a deficit crisis and a midterm election.

In such a pickle, a little halfhearted skill practice wouldn't hurt, but sometimes he's all bones and no skill, and can't sit still and think.

He is all over the lot—fighting for the rich, campaigning not only in North Carolina but in California, driving in from Camp David to conserve gas and letting his helicopter return empty, jogging in the morning and flying to the World Series in Cincinnati at night, always on the move, always pleasant and even cheerful.

He is the first president in memory who has not been able to get the votes of a majority of the members of his own party for a major bill in Congress, but he has even tolerated Newt

Gingrich, the Republican whip in the House, who has not only defied the president on the budget but hasn't even had the decency to resign.

He may come smiling through and even be re-elected, but it will take him a while to recover from the planned fumbles of the first half.

The writer is a retired former Washington correspondent and former executive editor of *The New York Times*.

## 100, 75 AND 50 YEARS AGO

### 1890: Sultan's Warning

BRUSSELS—The *Independence* Belge published yesterday evening (Oct. 20) the following despatch from Constantinople: "The Sultan has drawn up a diplomatic note in reference to Kassala and the recent Anglo-Italian negotiations. In this despatch he declares that no one is entitled, without his assent, to dispose of any portion of Egyptian territory over which he is suzerain. His Majesty reminds the foreign Powers of the protest he made at the time of the occupation of Massawa by Italian troops, and refers to Tripoli, which he will defend so long as there is a soldier in Turkey or a man of war at his disposal."

### 1915: Cyprus Is Offered

LONDON—It is stated that the British Government has made a formal offer to the King of the Hellenes of the island of Cyprus, which shall be handed over if the Greeks agree to take the field in support of the En-

## Palestinians Have Lost Credibility

By Ze'ev Schiff

TEL AVIV—Since the outbreak of the intifada in December 1987 the Israeli army has struggled to avoid a clash with the Palestinians that has religious implications. The armed forces were under orders to refrain as far as possible from entering mosques in the territories, even when those mosques were known to be a source of incitement. Despite the rise of Muslim fundamentalism, a religious conflict has been averted.

But what has been averted in the territories has occurred in Jerusalem—the most sensitive place of all—on the Temple Mount.

The new emphasis on religion has made a dangerous situation even worse. Each party believes its holy places in Jerusalem to be in danger. Each side believes that the other provoked the recent outburst.

The Jewish side says the incident started with the hurling of stones at Jewish worshippers who had come to pray at the Western Wall on Sukkot.

The Palestinians believe that a war is being waged against them. The aim, they claim, is to deprive them of their sacred mosques of Omar and Al Aqsa. In their eyes, their 21 dead are Muslims killed while worshipping near the mosques. Indeed, the Palestinians had been alerted by their leaders to defend the mosques against a group of Jewish extremists, the Faithful of Temple Mount, who have been trying for years to lay a cornerstone to the Third Temple.

The police had barred a Jewish extremist from entering, but that was not enough. Muslim worshippers hurled stones at Jewish worshippers, but it was the Muslims who paid the price in human lives.

The UN Security Council reaction ignores the fact that the Jewish worshippers were attacked before the police opened fire. Nevertheless, Israel is wrong not to have consented to receive the secretary-general's committee of inquiry. Israel has nothing to hide. If blunders were made, and they probably were, we will get to the bottom of this.

The outbreak only exposed the failure, widely accepted in Israel, that the uprising in the territories had dug down. It was admitted that Palestinian fury was being vented at Jerusalem. Still, in Israel people failed to see that beneath the surface there lurked an accumulation of energy capable of exploding at any moment.

Those who were naive enough to believe that the uprising had ended did not bother to prepare for the contingency of a violent confrontation. Thus the police viewed reports of Palestinian clashes between Jews and Arabs as unexpected.

The incident on the Temple Mount reminded all concerned that the Israel-Palestinian conflict has not gone away, even though the Iraqi threat has been spreading the Palestinian issue.

The Palestinians, more than any other group, have been siding with Saddam Hussein. When he threatened to set half of Israel on fire, Yasser Arafat expressed his support. The Palestine Liberation Organization moved some of its command to Baghdad before Saddam Hussein marched into Kuwait.

The frustration caused by the political deadlock may have extended Palestinian support of the Iraqi leader, but why did demonstrators call on Saddam Hussein to spray Tel Aviv with chemical weapons?

The Palestinians and their leaders manifested blatant double standards when they upheld the invasion and liquidation of Kuwait. If the PLO actually regarded the peace process as a strategic objective, if in its third year the intifada leadership wished to convince Israeli public opinion of the Palestinian desire for peace, that objective has been a failure.

To many Israelis, Palestinian support for Saddam Hussein was a turning point in the intifada. It can be assumed that Israel will be more tolerant. This may manifest itself in clashes and in daily relations.

When the possibility of negotiations comes up again, the Palestinians may have not only a right-wing government to contend with but also an Israeli public that has suddenly found that its natural partners in a possible peace process—the Palestinians and the Jordanians—have virtually aligned themselves with the Saddam Hussein camp.

Ironically, nothing but a decisive American victory in the Gulf could offer the Palestinians an opening to a renewal of the peace process.

The writer, defense editor for the Israeli newspaper *Haaretz*, contributed this comment to *The New York Times*.

### 1940: Costlier Bread

MOSCOW—The Trade Commission ordered a 15 per cent increase in the price of black and gray bread in Moscow and Leningrad. Moscow residents will pay one ruble for a kilogram of black bread and 1.14 rubles for gray bread. (The ruble has a nominal value of about nineteen cents, but the true purchasing power cannot be determined accurately because there is no free market.)

—From the New York edition of the *New York Herald Tribune*.



هكذا من الأصل

Palestine  
Have  
Credibility

nity

11

1990 YEAR BOOK

LEXOTICA

MADE IN VALENTINO

valentino  
les Lunettes

usa-aid  
Inc. by  
her, had  
sed  
own, or  
his  
also

ch-  
as-  
he  
the  
sts.  
five

re-  
an  
of

ta-  
mi  
ra-  
ch

u-  
he  
u-  
he  
a-

ed di  
as  
to  
ne  
in

his  
the  
re-  
ag-  
in  
go  
Se-  
ints

yan

r

i

i

i

i

i

i

i

i

i

i

i

i

i

i

i

i

i

i

i

i

i

i

i

i

i

i

i

i

i

i

i

i

i

i

i

i

i

i

i

i

i

i

i

i

i

i

i

i

i

i

i

i

i

i



\_\_\_\_\_

**OUR READERS**  
**N BERLIN**

can now receive  
HT hand delivered  
your home or office  
morning on the day  
publication. Contact our  
Frankfurt office today.  
Phone: (069) 69 48 92  
Fax: (069) 69 48 94

**C**OLUMBIAN UNIVERSITY has announced that it will accept the \$100,000 donation from the American Telephone and Telegraph Co. for the purchase of a new building for the school's law school. The building, which is to be located on the corner of 11th and M streets, N.W., is to be a four-story structure, and is to be completed in 1930. The school's law school is one of the largest in the country, and the new building will provide for the school's growth. The school's law school is one of the largest in the country, and the new building will provide for the school's growth.

Figures are as of close of trading day.









[illegible]

(Continued on next left-hand page)

New Interest Rates & Yields		
Instrument	Rate	Yield
<b>Floating Rate Notes</b>		
3-Month	11.00%	11.00%
6-Month	11.00%	11.00%
9-Month	11.00%	11.00%
12-Month	11.00%	11.00%
15-Month	11.00%	11.00%
18-Month	11.00%	11.00%
21-Month	11.00%	11.00%
24-Month	11.00%	11.00%
27-Month	11.00%	11.00%
30-Month	11.00%	11.00%
33-Month	11.00%	11.00%
36-Month	11.00%	11.00%
39-Month	11.00%	11.00%
42-Month	11.00%	11.00%
45-Month	11.00%	11.00%
48-Month	11.00%	11.00%
51-Month	11.00%	11.00%
54-Month	11.00%	11.00%
57-Month	11.00%	11.00%
60-Month	11.00%	11.00%
63-Month	11.00%	11.00%
66-Month	11.00%	11.00%
69-Month	11.00%	11.00%
72-Month	11.00%	11.00%
75-Month	11.00%	11.00%
78-Month	11.00%	11.00%
81-Month	11.00%	11.00%
84-Month	11.00%	11.00%
87-Month	11.00%	11.00%
90-Month	11.00%	11.00%
93-Month	11.00%	11.00%
96-Month	11.00%	11.00%
99-Month	11.00%	11.00%
102-Month	11.00%	11.00%
105-Month	11.00%	11.00%
108-Month	11.00%	11.00%
111-Month	11.00%	11.00%
114-Month	11.00%	11.00%
117-Month	11.00%	11.00%
120-Month	11.00%	11.00%
123-Month	11.00%	11.00%
126-Month	11.00%	11.00%
129-Month	11.00%	11.00%
132-Month	11.00%	11.00%
135-Month	11.00%	11.00%
138-Month	11.00%	11.00%
141-Month	11.00%	11.00%
144-Month	11.00%	11.00%
147-Month	11.00%	11.00%
150-Month	11.00%	11.00%
153-Month	11.00%	11.00%
156-Month	11.00%	11.00%
159-Month	11.00%	11.00%
162-Month	11.00%	11.00%
165-Month	11.00%	11.00%
168-Month	11.00%	11.00%
171-Month	11.00%	11.00%
174-Month	11.00%	11.00%
177-Month	11.00%	11.00%
180-Month	11.00%	11.00%
183-Month	11.00%	11.00%
186-Month	11.00%	11.00%
189-Month	11.00%	11.00%
192-Month	11.00%	11.00%
195-Month	11.00%	11.00%
198-Month	11.00%	11.00%
201-Month	11.00%	11.00%
204-Month	11.00%	11.00%
207-Month	11.00%	11.00%
210-Month	11.00%	11.00%
213-Month	11.00%	11.00%
216-Month	11.00%	11.00%
219-Month	11.00%	11.00%
222-Month	11.00%	11.00%
225-Month	11.00%	11.00%
228-Month	11.00%	11.00%
231-Month	11.00%	11.00%
234-Month	11.00%	11.00%
237-Month	11.00%	11.00%
240-Month	11.00%	11.00%
243-Month	11.00%	11.00%
246-Month	11.00%	11.00%
249-Month	11.00%	11.00%
252-Month	11.00%	11.00%
255-Month	11.00%	11.00%
258-Month	11.00%	11.00%
261-Month	11.00%	11.00%
264-Month	11.00%	11.00%
267-Month	11.00%	11.00%
270-Month	11.00%	11.00%
273-Month	11.00%	11.00%
276-Month	11.00%	11.00%
279-Month	11.00%	11.00%
282-Month	11.00%	11.00%
285-Month	11.00%	11.00%
288-Month	11.00%	11.00%
291-Month	11.00%	11.00%
294-Month	11.00%	11.00%
297-Month	11.00%	11.00%
300-Month	11.00%	11.00%
303-Month	11.00%	11.00%
306-Month	11.00%	11.00%
309-Month	11.00%	11.00%
312-Month	11.00%	11.00%
315-Month	11.00%	11.00%
318-Month	11.00%	11.00%
321-Month	11.00%	11.00%
324-Month	11.00%	11.00%
327-Month	11.00%	11.00%
330-Month	11.00%	11.00%
333-Month	11.00%	11.



## New International Bond Issues

Compiled by Andrew S. Register

Issuer	Amount (millions)	Mat.	Coup. %	Price	Price end week	Terms
<b>Floating Rate Notes</b>						
Equitable Capital DHO	\$110	2000	0.80	100	—	Over 6-month Libor. Senior debt callable at par from 1995. Fees 0.50%. Denominations \$100,000. (Kiddier Peabody Int'l)
Equitable Capital DHO	\$15	2000	1 3/4	100	—	Over 6-month Libor. Second priority callable at par from 1995. Fees 0.50%. Denominations \$100,000. (Kiddier Peabody Int'l)
Ferrovie dello Stato	FF 1,000	1995	0.02	100	100.08	Over 3-month Plaz. Callable at par from 1992. Fee 0.15%. (Crédit Commercial de France)
Canadon Imperial Bank of Commerce	¥2,000	1991	15 1/4	101 1/4	—	Noncallable. Redemption amount at maturity will be linked to the performance of the Nikkei 225 stock index. Fees 1 1/8%. Denominations 10 million yen. (New Japan Securities Europe)
Canadon Imperial Bank of Commerce	¥1,000	1991	15	101 1/4	—	Noncallable. Redemption amount at maturity will be linked to the performance of the Nikkei 225 stock index. Fees 1 1/8%. Denominations 10 million yen. (New Japan Securities Europe)
<b>Fixed-Coupons</b>						
European Investment Bank	\$300	1997	9 1/4	99.46	99.94	Noncallable. Fees 0.10%. Denominations \$10,000. (S.G. Warburg Securities)
Japan Highway Public Corp.	\$190	2000	9 1/4	101 1/4	101 1/4	Senior unsecured. Noncallable. Fees 2 1/8%. (JTCB Int'l)
Nordantien	\$40	1996	6.85	101 1/4	—	Interest until March, 1991 will be 31%. Noncallable. Fees 1 1/8%. (BU Int'l)
IBM Int'l Finance	FF 750	1993	10 1/4	101 1/4	100 1/4	Noncallable. Fees 1 1/8%. (Crédit Commercial de France)
Fokker	NLG 200	1997	10	101.95	—	Noncallable. Fees 1 1/8%. (Algemene Bank Nederland)
Société Générale	FF 150,000	1994	12 1/2	101	99.37	Noncallable. Fees 1 1/8%. (Crédit Italiano)
Finnish Export Credit	ECU 100	1993	10 1/4	101 1/4	100 1/4	Noncallable. Fees 1 1/8%. (Merrill Lynch Int'l)
GMAC Australia Finance	Aus 75	1993	14	101.70	100.33	Noncallable. Fees 1 1/8%. (Homburg Bank)
Abbey National Treasury Services	¥15,000	1994	8	101 1/4	—	Noncallable. Fees 1 1/8%. (Daewoo Europe)
Finnish Export Credit	¥30,000	1992	8	101.05	—	Noncallable. Fees 1 1/8%. (Nominura Int'l)
Mitsui Real Estate Development	¥5,000	1995	8 1/4	101 1/4	—	Noncallable. Fees 1 1/8%. Denominations 10 million yen. (Nominura Int'l)
Mitsui Real Estate Development	¥5,000	1995	8 1/4	101 1/4	—	Noncallable. Fees 1 1/8%. Denominations 10 million yen. (Nominura Int'l)
World Bank	¥50,000	1995	7 1/4	101.55	—	Noncallable. Fees 1 1/8%. (Daewoo Europe)
<b>Equity-Linked</b>						
Bando Chemical Industries	\$100	1994	5	100	114 1/4	Noncallable. Each \$5,000 note with one warrant exercisable into company's shares at \$25 per share and at 129.20 yen per dollar. Fees 2 1/8%. (Nominura Int'l)
Citizen Watch	\$200	1994	4 1/4	100	105	Noncallable. Each \$10,000 note with two warrants exercisable into company's shares at \$25 per share and at 129.20 yen per dollar. Fees 2 1/8%. (Nominura Int'l)
Fujitsu	\$100	1994	4 1/4	100	108 1/4	Noncallable. Each \$5,000 note with one warrant exercisable into company's shares at \$25 per share and at 129.20 yen per dollar. Fees 2 1/8%. (Nominura Int'l)
Mizuno	\$100	1994	4 1/4	100	107 1/4	Noncallable. Each \$5,000 note with one warrant exercisable into company's shares at \$25 per share and at 129.20 yen per dollar. Fees 2 1/8%. (Nominura Int'l)
Mizuno	DM 70	1994	5	100	—	Noncallable. Each 5,000-mark note with 5 warrants exercisable into company's shares at 16.20 DM per share and at 84.18 yen per Deutsche mark. Fees 2 1/8%. (Nominura Int'l)
Unitika	DM 75	1994	5 1/4	100	—	Noncallable. Each 5,000-mark note with one warrant exercisable into company's shares at 16.20 DM per share and at 84.18 yen per Deutsche mark. Fees 2 1/8%. (Daewoo Europe)

## EC Currency Club Still Closed

BRUSSELS — Formal entry to the European Community's currency club will remain closed to outsiders for the time being, despite Norway's firm knock at the door last week, senior EC officials said during the weekend.

Norway, which is not an EC member, announced on Friday that it will shadow the exchange-rate mechanism of the European Monetary Union by keeping the krona within a 2.25 percent margin of a central rate for the Ecu, or European Currency Unit.

Some Norwegian politicians suggested that the link was a first step toward formal association with the EMS. Norway previously held the krona in a band against a basket of currencies including the dollar, the yen and the Swedish krona.

All 12 EC currencies are EMS members, but the Greek drachma and the Portuguese escudo are outside its Exchange-Rate Mechanism.

EC officials said Norway's announcement confirmed that after nearly a year of debate, the Community is not yet ready to grant formal associate EMS membership to currencies outside the Community.

"Norway did this because we told them they could not be associate members," said a top EC official. Britain's decision to join the exchange-rate mechanism two weeks ago may have encouraged Oslo to link up to the EMS in a more informal way, he added.

The Swedish government, reeling from high interest rates and a sagging currency, will now be under pressure to follow its Scandinavian neighbor. "The question is, what will the Swedes do?" asked the EC official, who is involved in high-level consultations on the question of associate membership.

Both Norway and Sweden were formally linked to the first EC attempt at an exchange-rate system in the early 1970s, the so-called currency mark. But no associate members have been admitted to the EMS since it was formed in 1979,

although the currencies of Austria and Switzerland closely track the mark.

Norwegian Prime Minister Jan Syse discussed a formal EMS tie during a visit in January to Brussels, and the Norwegian government submitted a list of questions on how it might work.

At almost the same time, Austria was sounding out the Community on the same question and in April, EC finance ministers briefly discussed it at Ashford Castle in Ireland.

"It became clear at Ashford Castle, and later on, that member states found that it would complicate things enormously to let third country currencies formally associate," said another EC monetary official.

The three-stage blueprint for monetary union put forward by the EC Commission president, Jacques Delors, calls for the EMS to be folded into a new central EC banking system and currency union, perhaps as early as 1995.

## BUSINESS BRIEFS

### Bonn Sees 1991 Growth of 2% to 3%

BONN (AFP) — The German economy is likely to grow by 2 percent to 3 percent next year, Economics Minister Helmut Haussmann said. He said Saturday that a prediction last week of a 1.5 percent growth rate by Germany's five major economic institutes was "pessimistic." Growth this year is expected to be 2 percent.

In a report to the government published Friday, the institutes predicted that growth in former West Germany would drop from 4 percent in 1990 to 2.5 percent in 1991, while the economy of former East Germany would contract by 15 percent this year and 10 percent in 1991.

### Beijing and Seoul Swap Trade Offices

SEOUL (Reuters) — South Korea and China have taken a first step toward normal relations by agreeing to exchange trade offices.

The announcement Saturday was widely anticipated. Although the offices will be the first permanent missions between the two nations, China and South Korea have active, if mostly indirect, trade relations.

### France's TGV Seen Favored in Korea

SEOUL (AFP) — France's train à grande vitesse seems to be favored by the South Korean government over Japan's Shinkansen train for the high-speed rail line to be built between Seoul and Pusan, observers said.

A government source who asked to remain anonymous said Saturday that the government had "opened" for the TGV. A French diplomatic source, however, emphasized that the call for tenders for the 400-kilometer (250-mile) project had not been issued yet.

### TI Posts \$7 Million Loss for Quarter

DALLAS (NYT) — Texas Instruments Inc., one of the largest U.S. makers of memory chips, said it had a loss of \$7 million in the third quarter, compared with a profit of \$65 million in the year-earlier period. Revenue rose 7 percent, to \$1.68 billion from \$1.57 billion.

Falling memory chip prices, rising spending on new technology and chip plants as well as a temporary shutdown of its Philippine chip-making plant after an earthquake in July contributed to the loss, the company's chairman and chief executive, Jerry R. Junkins, said Friday.

### Sanwa Is Seen in Shanghai Venture

TOKYO (UPI) — Sanwa Bank Ltd. will establish a financing venture in Shanghai with one Hong Kong and two Chinese institutions, Japanese news reports said Sunday.

The reports said an agreement will be signed Wednesday by Sanwa and the Bank of China, the Communications Bank of China and Hong Kong's Bank of East Asia. The new firm will be capitalized at \$10 million, which will be shared equally by the four partners, the reports said.

### Head of Brazil's Oil Company Quits

RIO DE JANEIRO (AP) — The president of Brazil's state oil company, Petrobras, has resigned, saying the government was "squeezing" the company by keeping oil prices artificially low to suppress inflation.

"The government is using Petrobras as a smoke screen to cover up for economic problems," the executive, Luis Otávio de Motta Veiga, said at a news conference Friday.

### Hanoi Prosecutes 22 in Fraud Case

HANOI (Reuters) — Twenty-two people are on trial in Ho Chi Minh City for alleged involvement in a financial scam that led to the collapse this year of Vietnam's new unregulated credit system.

The Lao Dong newspaper said Saturday that Nguyen Van Mai Hoi, former director of the Thanh Hoang Petroleum Factory, and 21 others went on trial on Oct. 16. Mr. Mai Hoi was arrested earlier this year for allegedly running an illegal pyramid system in which he paid investors with money invested later by others.

## EUROBONDS: Paris Begins Trading Ecu Contract

(Continued from first finance page) be priced to yield 55-to-60 basis points over Treasury rates. The winner was S.G. Warburg, landing its first lead management of a Euro-dollar in two-and-a-half years by proposing a spread of 52 basis points.

With the other major banks unlikely to accept an invitation to join an underwriting group at terms lower than they had proposed, Warburg took the entire issue itself and offered banks who wanted paper a position in the selling group for a commission of 10 basis points. Warburg said just under one-third of the issue was taken by banks joining the selling group and that by week's end the bulk of the issue had been placed.

The paper was priced at 99.46 but thanks to the late week rally in domestic markets it ended at 99.54, a spread of some 53 basis points.

Japan Highway Public Corp. issued \$190 million of 10-year bonds carrying a coupon of 9 1/4 percent and priced at 101 1/4 to yield 55 basis points over Treasury rates. This was

sold almost entirely in Japan. Banks reported some demand from investors who expect U.S. interest rates to fall and who are willing to gamble that the currency is not far from its floor against the yen.

With the yen appreciating and Japanese domestic bond rates falling, dealers reported good demand for the World Bank's \$50 billion yen of five-year notes offered at 101.55 and carrying a coupon of 7 1/4 percent. Less the 1 1/8 percent fees, the paper offered a yield pick-up of two basis over the World Bank's outstanding issue.

Finnish Export issued two-year notes priced at 101.075 and carrying a coupon of 8 percent. The size of the issue was increased to 30 billion yen from the 25 billion initially indicated.

The surprise of the week, given the clear indication of rampant worries about the dollar and credit quality, was a floating rate issue collateralized by high-yielding U.S. corporate junk bonds picked up at big discounts by Equitable Life Insurance Co. and marketed under

the name Equitable Capital DHO. Unlike previous repackagings, there is no enhancement like external guarantee that normally would raise the credit rating to triple-A. Instead, a 40-percent over-collateralization gives the \$110-million of 10-year floating rate notes a rating of AA2 from Moody's.

In return, lead manager Kiddier Peabody says, the margin on the FRN can be set at a steep 80 basis points over Libor, a big step up for investors who can borrow at Libor and even for those whose own cost of money is Libor plus 1/2-point.

A companion \$15 million of riskier 10-year "second priority debt" rated BAA2 was offered with a margin of 1 1/4 points over Libor.

The over-collateralization is made possible by the private placement of \$17.6 million in subordinated notes and \$4.4 million in equity. Holders of the paper stand to make a killing if the 70 junk bond issues, spread over 29 industries, that serve as collateral survive the recession to service fully and then redeem their debt at face value.

## DOLLAR: Some See Silver Lining in Weak Currency

(Continued from first finance page) fact of life" that banks in the United States are curtailing lending, notes Mr. de Vries. The banks have been loaded with nonperforming debts, are trying to improve capital ratios and are worried about the recession's impact on borrowers.

"Banks have gone into a shell," says Lawrence H. Brown, economist at Bankers Trust Co. in New York. "The credit crunch is a reality and getting worse."

What makes this crunch both special and worrisome is that it is not, as in the recent past, the result of official policy aimed at restricting credit growth but a voluntary pullback that may not be responsive to policy measures aimed at easing the crunch.

A worse complication is that with U.S. inflation high and rising, action by the Federal Reserve to ease the credit crunch could send the wrong signal to financial markets about its commitment to fighting inflation. That could cause interest rates to rise at the very time the Fed was trying to nudge them lower.

Alexandre Lamfalussy, head of the Bank for International Settlements, addressed this danger in a speech in Helsinki last week. He warned that an international credit crunch is possible due to reluctance to increase lending by U.S. and Japanese banks. But Mr. Lamfalussy said central bankers cannot afford to relax their anti-inflation stance to avert the crunch.

Mr. Lamfalussy stressed that monetary policy cannot achieve several, usually inconsistent, targets at the same time. "It simply cannot simultaneously deliver low inflation, stable exchange rates, avoidance of recession and general financial market stability," he said.

The aim of monetary policy can only be to assure price stability, he said, adding that at this point "there should be no compromise with the anti-inflation orientation of monetary policy."

Between the lines is a plea to let companies and financial institutions that get into trouble go bust, so long as their bankruptcies do not threaten the integrity of the financial system.

"It's rather amusing," says Professor Richard Portes, head of the Center for Economic Policy Research in London, "that we are trying on Eastern Europe the virtues of letting firms collapse when they are insolvent and not viable and then worry about when firms or banks collapse in our countries when they are not solvent or viable."

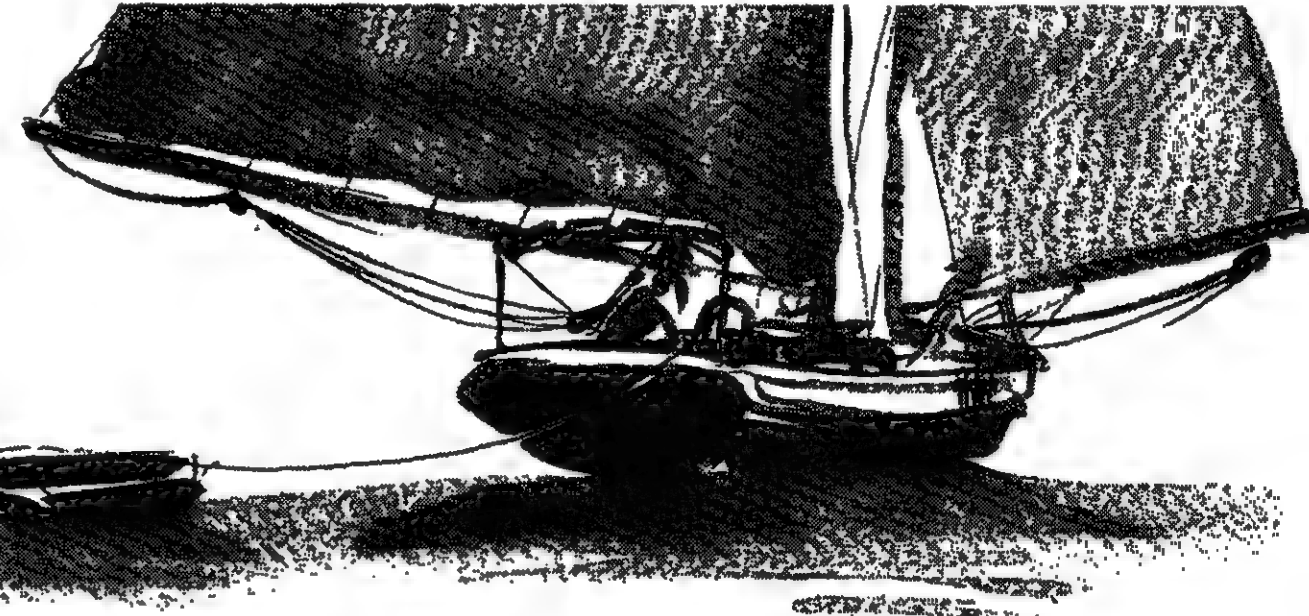
"The answer is that they, too, should collapse. Why should banks be different from other firms, and why should Western firms be different from Eastern firms? We

trumpet the virtues of a market economy and those who can't perform should go out of business," he says. He adds that the responsibility of the central bank is to manage domestic liquidity to assure that the collapse of any one institution does not threaten the whole financial system.

Not everyone is certain that the credit crunch will be so severe. Mr. Bergsten and David Hale, economist at Kemper Financial Services in Chicago, consider the windfall profits the oil-producing states are making as enforced savings for the industrialized world that will be recycled to them as payments for support of U.S. forces in Saudi Arabia, or stepped-up purchases of goods and services.

## COMPANY RESULTS

Revenue and profits or losses, in millions, are in local currencies unless otherwise indicated.			
Company	Revenue	Profit	Loss
<b>United States</b>			
Alexander's Group	1990	1989	1988
Revenue	2,200	2,100	2,000
Profit	100	100	100
Per Share	1.00	1.00	1.00
<b>American Brands</b>			
Revenue	1,000	1,000	1,000
Profit	50	50	50
Per Share	0.50	0.50	0.50
<b>Bank of New England</b>			
Revenue	1,000	1,000	1,000
Profit	50	50	50
Per Share	0.50	0.50	0.50
<b>Offshore</b>			
Revenue	1,000	1,000	1,000
Profit	50	50	50
Per Share	0.50	0.50	0.50
<b>Other</b>			
Revenue	1,000	1,000	1,000
Profit	50	50	50
Per Share	0.50	0.50	0.50



LOMBARD ODIER & CIE ARE COMING TO ZURICH.

The third of four chapters

Asset management is clearly a long-term commitment.

With long-term implications.

It is a coming together of knowledge, experience and, most certainly, instinct. The noble Venetian merchants were guided by that same thinking when they established the spice route between the 15th and 17th centuries.

Lombard Odier & Cie have believed, since their founding in 1798, that long-term thinking is the surest route to continued asset growth.

We look forward to being at your service in Zurich from October 31, 1990.



Lombard Odier & Cie

11, rue de la Corrairie  
1204 Geneva Tel. 41/22/709211

Lombard Odier Zurich Ltd

Telstrasse 36  
8027 Zurich Tel. 41/1/2028686

Lombard Odier Private Asset Management Ltd

22, Southampton Place  
London WC1A 2BP Tel. 44/1/4058856



## WORLD STOCKS IN REVIEW

By Agence France Press

## Amsterdam

Lower oil prices and gains on Wall Street kept the Amsterdam market lively, but it closed only a shade higher. The CBS all-share index finished at 171.0, against 170.6 the previous Friday.

There was strong interest in the transport sector, including shares such as Nedlloyd, VOC, Packhoed and Furness, according to the Kempen & Co. brokerage.

## Frankfurt

The Frankfurt stock market posted a modest gain in a quiet week. The DAX index closed at 1,482.09 points, up 22.39 or 1.53 percent from the previous Friday.

The market was helped by a fall in oil prices, a good tone on Wall Street and in Tokyo and a Conservative victory in German regional elections at the start of the week.

Schering was among the best performers, jumping by 42 Deutsche marks (\$27.91) on the week to 710.50, while Siemens scored a 25-mark rise to 589.

The bond market was very strong in high volume, and the average yield on government issues dropped to 9.05 percent from 9.17 percent the previous Friday.

## Hong Kong

The stock market logged a robust gain Friday to cap an otherwise soft week. The Hang Seng index gained 76.69 points, or 2.6 percent, on the week to close at 2,991.95.

The conviction at mid-week of the local bourse's former chairman, Ronald Li, on two graft charges involving company listings had no visible impact on the market.

## London

The London market fell sharply early in the week in reaction to a 0.5 percent drop in industrial production in August, which revived recession fears. But shares rallied ahead of the weekend, encouraged by falling crude prices and Wall Street's strength.

The Financial Times-Stock Exchange 100-share index closed 11.4 points lower on the week at 2,089.0, a decline of 0.5 percent.

Dark economic prospects for the coming year described by the chancellor of the Exchequer, John Major, combined with the negative influence of a Tory by-election defeat paired with suggesting growing opposition to the government.

## Milan

Milan stocks managed a 1.61 percent rise as the MIB index finished at 809, against 806 the previous Friday. The market was paralyzed on Thursday by a strike of brokerage house clerks.

Trade averaged 125 billion lire (\$11.1 million) a day, compared with 118 billion the prior week.

## Paris

The Bourse managed four winning sessions out of five, faltering only slightly on Friday on profit-taking. The CAC-40 index ended the week at 1,644.70, up 4.4 percent.

Analysts said the gains were largely a technical recovery following the sharp decline after Iraq's invasion of Kuwait.

The two big events of the week were the strong recovery of Compagnie Financière de Suez after Gerard Worms was named to head the financial company, and Michelin's spectacular plunge after reporting that it expects a loss of at

least 2.3 billion francs (\$455 million) this year.

## Singapore

Singapore stocks staged a mild rally, pushing share prices broadly higher despite lack of institutional support. The Straits Times industrial index moved ahead 45.48 points, the largest gain since May, to close at 1,159.85.

## Tokyo

Share prices surged this past week, supported by a stronger yen and rising bond prices as well as increased hopes for a peaceful solution to the Gulf conflict.

The Nikkei average of 225 issues closed Friday at 24,481.49, for a massive gain of 2,091.33 points, or 9.3 percent, for the week. The Tokyo Stock Price Index of all stocks listed on the first session jumped 135.62 points to 1,816.29.

Trading was active, with Friday's turnover amounting to 1,088 billion shares, the year's heaviest. Daily average volume rose sharply to 664.4 million shares from the previous week's 361.9 million.

"Now the perception that interest rates are peaking and the yen is experiencing an upturn has begun to create an updraft among stock prices," said Toru Matsumoto, a noted market analyst.

## Zurich

Zurich stocks regained some of the ground lost since Iraq invaded Kuwait as volume returned to reasonable levels. The SRS index ended the week at 548.4, up 11.3 points.

Bank stocks were firmer despite poor quarterly results reported by Swiss Bank Corp., which ended the week up six at 293. Union Bank of Switzerland rose 60 to 2,970.

## Aquino Calls for Sacrifices

Compiled by Our Staff From Dispatches

MANILA—President Corason C. Aquino sought on Sunday to convince foreign investors that profits outweigh threats of political turbulence in the Philippines, and again rejected calls to repudiate the country's foreign debt to ease its financial crisis.

Mrs. Aquino called for sacrifices and private initiatives to surmount the country's serious economic crisis, which is due to soaring oil prices and a huge budget deficit.

She urged foreign businessmen to tell colleagues at home that "despite the turbulent political environment of the past months, you continue to enjoy reasonable rates of return on your investment."

Mrs. Aquino, who has survived seven military rebellions, said a wave of terrorist bombings in the capital since August was scarring "the already dwindling" numbers of foreign investors here.

She rejected suggestions that she use scarce foreign exchange to purchase oil or social services instead of using it to pay off the country's \$27 billion foreign debt.

"If we unilaterally repudiate our debt, the poor will suffer even more," she said.

Mrs. Aquino has called a meeting of the National Security Council — for only the second time in her administration — for this week to discuss the country's economic problems.

Jose Concepcion, secretary of Trade and Industry, said "We must bite the bullet and handle the budget deficit."

(AFP, Reuters)

## Euromarkets At a Glance

## Eurobond Yields

	Oct. 17	Oct. 18
U.S. 3 m. 9 1/8	9 1/8	9 1/8
U.S. 6 m. 9 1/4	9 1/4	9 1/4
U.S. 12 m. 9 1/4	9 1/4	9 1/4
French 3 m. 10 1/4	10 1/4	10 1/4
French 6 m. 10 1/4	10 1/4	10 1/4
French 12 m. 10 1/4	10 1/4	10 1/4
German 3 m. 10 1/4	10 1/4	10 1/4
German 6 m. 10 1/4	10 1/4	10 1/4
German 12 m. 10 1/4	10 1/4	10 1/4
Italian 3 m. 10 1/4	10 1/4	10 1/4
Italian 6 m. 10 1/4	10 1/4	10 1/4
Italian 12 m. 10 1/4	10 1/4	10 1/4
Spanish 3 m. 10 1/4	10 1/4	10 1/4
Spanish 6 m. 10 1/4	10 1/4	10 1/4
Spanish 12 m. 10 1/4	10 1/4	10 1/4

## Weekly Sales

	Oct. 17	Oct. 18
Stratford	79.8	79.8
Coventry	1.2	1.2
PRN	1.2	1.2
SP	1.2	1.2
Total	82.2	82.2

## Libor Rates

	Oct. 17	Oct. 18
U.S. 3 m.	8 1/4	8 1/4
U.S. 6 m.	8 1/4	8 1/4
U.S. 12 m.	8 1/4	8 1/4
3 m. Euro	8 1/4	8 1/4
6 m. Euro	8 1/4	8 1/4
12 m. Euro	8 1/4	8 1/4

## U.S. Consumer Rates

	Oct. 17	Oct. 18
Three Month Bonds	7.75	7.75
Best Buy 30 Day Index	7.75	7.75
Money Market Funds	7.75	7.75
Danaher's 30 Day Average	7.75	7.75
Bank Money Market Accounts	7.75	7.75
Home Mortgages, FHL & Interest	7.75	7.75

## U.S. Treasury Bonds

	Oct. 17	Oct. 18
Maturity	Yield	Yield
100	7.84	7.84
100	7.84	7.84
100	7.84	7.84
100	7.84	7.84
100	7.84	7.84
100	7.84	7.84

## WALL STREET REVIEW

Figures as of close of trading Friday, October 19.

## NYSE Most Actives

Vol.	High	Low	Last	Chg.
Chrysler	140	139	139	-1
General	130	129	129	-1
IBM	120	119	119	-1
Merck	110	109	109	-1
Walt Disney	100	99	99	-1

## AMEX Most Actives

Vol.	High	Low	Last	Chg.
Callan	100	99	99	-1
Chryco	100	99	99	-1
Chryco	100	99	99	-1
Chryco	100	99	99	-1
Chryco	100	99	99	-1

## NYSE Sales

	Sales Vol.
Total for week	10,110,000
Week ago	10,110,000
Year ago	10,110,000
Jan 1 to date	10,110,000
1989 to date	10,110,000

## AMEX Sales

	Sales Vol.
Total for week	54,000,000
Week ago	54,000,000
Year ago	54,000,000
Jan 1 to date	54,000,000
1989 to date	54,000,000

## NYSE Dividends

	This Wk	Last Wk
Advanced	117	117
Declined	117	117
Unchanged	117	117
Total	117	117

## AMEX Dividends

	This Wk	Last Wk
Advanced	21	21
Declined	21	21
Unchanged	21	21
Total	21	21

## NASDAQ NATIONAL MARKET

OTC Consolidated trading for week ended Friday, October 19.

(Continued)

	Sales	High	Low	Close	Chg.
Amgen	100	100	99	99	-1
Amgen	100	100	99	99	-1
Amgen	100	100	99	99	-1

## NASDAQ Most Actives

Vol.	High	Low	Last	Chg.
Amgen	100	99	99	-1
Amgen	100	99	99	-1
Amgen	100	99	99	-1

## NASDAQ Sales

	Sales Vol.
Total for week	10,110,000
Week ago	10,110,000
Year ago	10,110,000
Jan 1 to date	10,110,000
1989 to date	10,110,000

## NASDAQ Dividends

	This Wk	Last Wk
Advanced	117	117
Declined	117	117
Unchanged	117	117
Total	117	117

## NASDAQ Dividends

	This Wk	Last Wk
Advanced	21	21
Declined	21	21
Unchanged	21	21
Total	21	21

## NASDAQ Dividends

	This Wk	Last Wk
Advanced	117	117
Declined	117	117
Unchanged	117	117
Total	117	117

## NASDAQ Dividends

	This Wk	Last Wk
Advanced	21	21
Declined	21	21
Unchanged	21	21
Total	21	21

## NASDAQ Dividends

	This Wk	Last Wk
Advanced	117	117
Declined	117	117
Unchanged	117	117
Total	117	117

## NASDAQ Dividends

	This Wk	Last Wk
Advanced	21	21
Declined	21	21
Unchanged	21	21
Total	21	21

## NASDAQ Dividends

	This Wk	Last Wk
Advanced	117	117
Declined	117	117
Unchanged	117	117
Total	117	117

## NASDAQ Dividends

	This Wk	Last Wk
Advanced	21	21
Declined	21	21
Unchanged	21	21
Total	21	21

## NASDAQ Dividends

	This Wk	Last Wk
Advanced	117	117
Declined	117	117
Unchanged	117	117
Total	117	117

## NASDAQ Dividends

	This Wk	Last Wk
Advanced	21	21
Declined	21	21
Unchanged	21	21
Total	21	21

## NASDAQ Dividends

	This Wk	Last Wk
Advanced	117	117
Declined	117	117
Unchanged	117	117
Total	117	117

## NASDAQ Dividends

	This Wk	Last Wk
Advanced	21	21
Declined	21	21
Unchanged	21	21
Total	21	21

## NASDAQ Dividends

	This Wk	Last Wk
Advanced	117	117
Declined	117	117
Unchanged	117	117
Total	117	117

## NASDAQ Dividends

	This Wk	Last Wk
Advanced	21	21
Declined	21	21
Unchanged	21	21
Total	21	21

## NASDAQ Dividends

	This Wk	Last Wk
Advanced	117	117
Declined	117	117
Unchanged	117	117
Total	117	117

## NASDAQ Dividends

	This Wk	Last Wk
Advanced	21	21
Declined	21	21
Unchanged	21	21
Total	21	21

## NASDAQ Dividends

	This Wk	Last Wk
Advanced	117	117
Declined	117	117
Unchanged	117	117
Total	117	117

## NASDAQ Dividends

	This Wk	Last Wk
Advanced	21	21
Declined	21	21
Unchanged	21	21
Total	21	21

## NASDAQ NATIONAL MARKET

OTC Consolidated trading for week ended Friday, October 19.

(Continued)

	Sales	High	Low	Close	Chg.
Amgen	100	100	99	99	-1
Amgen	100	100	99	99	-1
Amgen	100	100	99	99	-1

## NASDAQ Most Actives

Vol.	High	Low	Last	Chg.
Amgen	100	99	99	-1
Amgen	100	99	99	-1
Amgen	100	99	99	-1

## NASDAQ Sales

	Sales Vol.
Total for week	10,110,000
Week ago	10,110,000
Year ago	10,110,000
Jan 1 to date	10,110,000
1989 to date	10,110,000

## NASDAQ Dividends

	This Wk	Last Wk
Advanced	117	117
Declined	117	117
Unchanged	117	117
Total	117	117

## NASDAQ Dividends

	This Wk	Last Wk
Advanced	21	21
Declined	21	21
Unchanged	21	21
Total	21	21



ADVERTISING SECTION

ADVERTISING SECTION

# 1992

## The World's Rendezvous With Europe

Twentieth in a Series

### Advantages for Investors

POLAND	HUNGARY	CZECHOSLOVAKIA
<ul style="list-style-type: none"> <li>• Largest potential domestic market</li> <li>• Heartland of 21st century economic corridor between Berlin and Moscow                             <ul style="list-style-type: none"> <li>— Motorway link</li> <li>— High-speed railway from Paris?</li> </ul> </li> <li>• Two major sea ports                             <ul style="list-style-type: none"> <li>— Gdansk</li> <li>— Szczecin</li> </ul> </li> <li>• Historically, the food basket of Europe                             <ul style="list-style-type: none"> <li>— Unrivaled source of inputs for food processing and agro-business</li> </ul> </li> <li>• Excellent, logically organized railway system and freight handling, and fast passenger trains. Second-highest railway density after Germany</li> </ul>	<ul style="list-style-type: none"> <li>• The economy that currently most resembles that of Western systems</li> <li>• Potential strengths in particular for financial services, software and mathematical-based industrial functions</li> <li>• Clearest commitment to privatization: 20 medium and large companies will be privatized before the end of the year</li> </ul>	<ul style="list-style-type: none"> <li>• Functioning market economy still in memory</li> <li>• Textiles and engineering base. 37.4% of the work force is employed in industry</li> <li>• Wide range of metallurgical industries</li> <li>• In 1987, there were over 38,000 self-employed entrepreneurs in the country</li> <li>• Unfortunately, most prices are still fixed</li> </ul>

Source: Central Europe Investments

### Eastern Europe / Potential and Pitfalls

## Investors Need Patience and Flexibility

The stunning changes in Eastern Europe over the last year have presented what seem to be dream opportunities for Western traders and investors — the chance to make solid profits while contributing to the rebuilding of democracy and free-market economies.

But many of those opportunities are exactly what they seem — a dream — and the financial returns from Eastern Europe may require more rather than less of the usual amounts of hard work, patience and luck. There are opportunities to make money in Eastern Europe, but relatively few chances to make easy money or quick money.

Many of the Western investments in Eastern Europe so far have been consumer-oriented and relatively small. Plans for a few big manufacturing joint ventures have been unveiled, led by Japanese, American and European automakers who see the relatively cheap labor of Eastern Europe as an opportunity to build low-cost plants and at the same time open new markets for their cars.

A number of other Western companies and investors with high hopes have been disappointed, including some exiled family manufacturing dynasties that wanted to revive their pre-World War II properties but gave up in the face of legal uncertainties and bureaucratic tangles.

And various investment funds set up to take advantage of the expected growth in Eastern Europe have found nothing to invest in. Instead of putting money directly into Eastern Europe, some investors have instead tried to buy shares in West European, Ameri-

can and Japanese firms that will be doing business there.

"The doors are open, but they're the wrong height for most of us," says Jerzy Gabrielczyk, a Polish-Briton investment banker who is advising Poland's Ministry of Industry on privatization and joint ventures with foreigners. "There's no infrastructure for business. It's hard to call New York. The accommodations aren't good for business travelers. And there's the language. Even if people speak English, they often don't understand basic business terms," he says.

Mr. Gabrielczyk adds, however, that East Europeans themselves, from consumers to managers, are eager to embrace free-market economics. As a result, he is "very encouraged" about the long-range prospects for Western

Continued on Page 19

The lack of generally accepted facts and forecasts on the state of the German economy is not nearly as serious as the absence of an approach to ensure the economic survival of the eastern quarter of the country.

"A Germany too large for us," laments the cover story in *Le Nouvel Economiste*. "United, we're as poor

### Unification: 900,000 government employees out of work

as France," replies *Der Spiegel*. "How are the millions of workers in the [former] GDR going to get through the next six months?" asks a radio moderator on an early-morning talk show in Munich.

Although the former West Germany is buoyed by continuing strong rates of economic growth (3.4 percent) and moderate inflation (2.8 percent),

### The New Germany / A Future in Question

## Redevelopment of the East Needs a Clearer Strategy

a boom in consumer spending (up 11 percent to 32 percent in key sectors) and a record decline in rates of unemployment, the basic questions remain unanswered. How to solve the wide range of personnel, legal and infrastructural problems plaguing the former East Germany? Will the estimated DM300 to DM800 billion (US\$197 to \$526 billion) required to do so exceed even the power of the mighty and aye recession-proof economy of West Germany?

Unsolved are the thorny questions of who owns the property in the east and who is liable for cleaning up noxious pollutants. The recently passed German-German unification treaty set forth the ground rules as to which

expropriated parties could lay claim to their former properties and who was entitled to compensation, but the regulations are being contested in the courts and have had no discernible impact on the excruciatingly tight real-estate market in the east. An ample stock of greenfield sites is one of the prerequisites for East German growth.

Another is trained and usable labor. The exact number of unemployed in East Germany is unknown. The official figures are 5 percent unemployed and four times that many on "Kurzzeitarbeit" — forcibly shortened shifts. Social Democrats have put the "true" figure of East German unemployment at 20 percent — and rising — since many East German VEBs and Kom-

binats (public-sector companies and vertically integrated holding trusts) are dependent for their survival on short-term funds from the West and exports to the East.

How much of the "surplus" work force can be either used in West Germany — where unemployment reached an eight-year low of 5.9 percent in September and where an all-time record 28.3 million people are gainfully employed — or retrained for new positions in the east is uncertain. Training takes time and is in any case not likely to be the solution for a novel form of structural unemployment built into the five new states of the Federal Republic of Germany.

A fresh wave of unemployment will

send the November figures soaring. Some 900,000 government employees, ranging from diplomats to NVA (National Volksarmee) soldiers to former Stasi officials to bureaucrats from the central planning commissions, will be looking for new jobs in skill areas and social niches far removed from their previous ones.

And a quiet but very real wave of discrimination against the former loyal servants of the East German regime is spreading from the political world into that of business.

Where will new jobs come from? Industrial production in the former East German region is down some 45 percent over last year at this time. While the retailing and service sectors

Unifying people and economies.



(except for tourism) are moderately flourishing and the construction industry is predicting a boom, the rebirth of East Germany has yet to manifest itself.

Not that West Germany's major

Continued on Page 18

WestLB  
The Westdeutsche Landesbank

RHÔNE-POULENC

In Touch with Tomorrow  
**TOSHIBA**

"I wonder if he understood a word I said"

The growth of business and personal relations depends on clear communication. And increasingly today, we need to understand languages besides our own.

That's why Toshiba technology has developed the Translation Accelerator System. It provides a draft translation from English into Japanese with incredible speed. Without a language barrier, we can all come to a greater understanding of each other.

From color televisions and microwave ovens, to power plants and medical and office equipment that utilize the latest electronics technology, Toshiba's diversified technology is at work for you everywhere in the world.

Toshiba Automatic Translation Accelerator System.

In Touch with Tomorrow  
**TOSHIBA**



# 1992 The World's Relationship With Europe

Vladimir Dlouhy, minister of economy of the Czech and Slovak Federal Republic, discusses the outlook for his country's economy and East-West relations with Axel Krause, corporate editor of the International Herald Tribune. The following are excerpts from the interview:

**What will be the impact of higher oil prices and the Gulf crisis on political and economic reforms in Eastern Europe and in Czechoslovakia in particular?**

First, there is the cut in Soviet deliveries of oil. I expect that in terms of the annual average for 1990, the cut will

**Foreign investors need to focus on future markets**

be on the order of about 25 percent. Some months were as high as 50 percent. The other reason has been the much higher prices stemming directly from the Gulf crisis.

**What is the solution?**

The Soviets have been supplying us under the old barter system of trading, but they are willing to supply more oil for hard currency. And for cash.

**At what price?**

The world market price — \$35 to \$40 a barrel. Even at these prices, Soviet oil is the cheapest for us at the moment, because our refineries are set for the light Soviet crude. And we have transportation. There is a pipeline.

**What will be the overall impact of the Gulf crisis on your economy and trade?**

We estimate the negative effect on trade and balance of payments (combined) in 1990 at about \$1.4 billion. This comes from higher prices, the loss of our exports to Iraq and the freezing of our assets in Iraq.

**Is there currently any GNP growth?**

We have never counted much on growth. We have a heavy industrial structure with a distorted price system. But we are in the process of restructuring the economy, and so we were willing to accept stagnation this year. And if I see stagnation in the inefficient part of the economy, in heavy industry, I say "thank you" for the stagnation and this negative growth, meaning between minus one to zero percent. For this year.

**Isn't that recession?**

It is a recession. But it is not the type you are used to in Western economies. Because of the very heavy structure, it is desirable that there is no growth in the production of steel in

Interview / Vladimir Dlouhy, Czechoslovakian Minister of Economy

## Stagnation Inevitable Part of Economic Restructuring

this country. But next year, things will definitely swing down. We will have a lot of bankruptcies, inflationary pressures, negative growth.

**Won't the impact of the Gulf crisis worsen your situation?**

Definitely. We could have problems supplying gasoline to the people.

**What is the most important lesson Central Europe has learned from the Gulf crisis?**

That we had better count on the worst possibility, which includes the start-up of a war. We must be ready for that and for a rise in oil prices to \$50 to \$65 a barrel.

**Turning to the Czech economy, when will big privatizations that would interest foreign investors begin?**

We must distinguish between joint ventures to build hotels, for example, and direct foreign investment. The aim is to generate automatic capital inflow — with financial markets, a stock exchange and so on. But the privatization plan being prepared here basically doesn't favor, at the beginning, foreign investment. Yet we are very much in need of foreign direct investment — immediately.

**What is the attraction?**

The reforms we are undertaking to improve the relative structure of prices. This means dismantling price controls and monopolies. When this is accomplished, following the period of stagnation I mentioned, the economy will begin reacting as small- and medium-sized companies in the private sector begin generating efficient growth.

**How long will this take?**

If you look at Poland, they are going through such a period this year. We must try to shorten this interval, and I see three locomotives for growth. First, the support we will give to small- and medium-scale business. Secondly, support for direct foreign investment. And some well-calibrated state industrial policy. But please understand that these three steps can only come after the reforms, including convertibility of our currency.

**In other words, you do not want to encourage foreign investments until the economy is modernized?**

It never was a good idea to allow huge foreign investments in an unreformed economy. I am not speaking of direct foreign loans, but of the flow that in centrally planned economies

always disappeared, as if into a black hole, without much effect. When we liberalize the price system and make the currency convertible on January 1, 1991, we will be in a better position.

**Will you allow majority control by foreign investors?**

Yes, up to 100 percent. We are now preparing a new banking law that would even allow foreign banks to operate here.

**What role do you see for the European Bank for Reconstruction and Development?**

You must distinguish between financing of specific projects, direct foreign loans and the standby facility. The first direct loan we will accept will be for the standby facility, meaning support for the convertibility program, which will require strong intervention by the central bank.

**Who will provide that financing?**

Partly the IMF, but we also contacted the EC and private banks. We are soliciting well over \$500 million.

**What is the future of joint ventures?**

In the field of hotels, they will be allowed almost automatically. Since May 1, a total of 470 joint ventures have been started, basically in services and tourism. These were small, mainly with Austrian, German and Swiss groups, but bigger projects are being planned. And as privatization goes forward, we plan to establish a stock exchange.

**Where are your "natural" potential partnerships — in the West, the East or where?**

This is a political question. But, generally, we see offers and interest coming from Germany and Austria, because they are our neighbors. I would welcome every kind of foreign investment and believe we should support capital inflow from countries like France, Great Britain, the United States, Canada and Japan. We do not want to be dominated by Germany.

**What advantages does Czechoslovakia offer, compared with other countries?**

Relatively cheap labor, which is also skilled. Higher productivity, probably higher than in other East European countries. But these are temporary. The labor cost advantages will not last long. So what do we offer? Knowledge of the Soviet market, for example.

**What is your strategy with regard to**



Vladimir Dlouhy, Czechoslovakian Minister of Economy.

ties with EFTA, now being negotiated, and EC membership?

We are cooperating with EFTA countries, but, in general, we support becoming members of the EC.

**Your prime minister recently said**

that would not occur before the end of the century. Could EC membership come sooner?

My feeling is that his statement was correct, and it was a political statement. But we must be doing everything possible to make it happen sooner.

**How will you find and train managers to run your modernized economy?**

We have already started many managerial courses, and many managerial firms are coming here. But my feeling is that the best way to learn how to swim is to jump into the water. So the best way to train our managers is to have them start and run businesses. In addition, rather than sending our people abroad, to the United States, we should bring in older, experienced managers here from Western Europe. These would be managers at the end of their careers, whom we would pay to come here for a year, or half a year, and they would work with Czechoslovak firms.

The New Germany / A Future in Question

## Redevelopment of East Needs a Strategy

Continued from Page 15

companies have been holding back. Volkswagen has announced a DM5 billion project for Zwickau in East Germany. Daimler Benz is not far behind with its DM2 billion truck-production facility in Ludwigsfelde. Bertelsmann announced on October 10 plans to take over East Germany's largest printer, and energy giant RWE is committed to spending DM7 billion over the next few years in the east.

As of October 1, 1990, according to Munich's authoritative IFO economic research institute, some 59 percent of all West German companies had already initiated plans to increase their business activities in the east. However, only 3 percent had actually begun to produce goods there. Moreover, only 6 percent of all West German companies active in the east did not list some serious problem standing in the way of their being "fully involved" there. Legal uncertainties in acquiring property and woefully inadequate in-

frastructure were the two most-often-cited troubles.

It is unclear what the Treuhandanstalt — the public-sector holding company charged with reorganizing the East German economy — has actually achieved in its few months of operation. Treuhand's Detlev Rohwedder was highly successful as the savior of West Germany's steel producer Hoesch. Formerly the chairman of Treuhandanstalt's supervisory board and now the chairman of its executive board (and concurrently still with Hoesch), he is resolutely optimistic about what his company has set in motion. To alleviate its slowness in processing applications, Treuhand has delegated a wide range of powers to its regional boards. To handle the land issue, it has set up a special department to give communities industrial sites.

But there is still no "East German model company" showing the way to locally generated recovery efforts.

"Not through the taking out of loans

but rather by sharing" is German President Richard von Weizsäcker's formula for financing the costs of unification. His words were intended to move the West Germans to altruism but may also be prophetic of developments on the financial markets. The third supplemental budget of the Federal Republic of Germany in 1990 amounted to DM20 billion, bringing the total federal deficit to DM66.8 billion and the total public-sector deficit to DM100 billion. DM15 billion of which went to Treuhand.

How large the deficit will be next year is anybody's guess, especially as the federal government is now responsible for all of the former East German public and private sectors.

In addition to the redundancies and financing costs of unity, West Germans will have to confront a range of lesser problems, such as new postal codes and a new schedule of summer holidays that will affect traffic patterns on the autobahns.

Terry Swartzberg

Introducing the German bank that offers finely tuned instruments in international finance: WestLB.

An experienced wholesale bank, WestLB accompanies your international finance operations.

20 years of experience in Corporate Finance, the solidity

of a state bank and the leading role played by WestLB. On this sound foundation, WestLB successfully combines classical products with innovative solutions, applying the right mix of

state-of-the-art technology and personal creativity. That's why WestLB rightfully belongs at the top of your shortlist — from Corporate Finance and Investment Banking to Treasury. And

with a global network stretching from Düsseldorf to New York and from Tokyo to Toronto, WestLB is perfectly equipped to set the tone for your international finance operations.

**WestLB**  
The Westdeutsche Landesbank

Business Information Video Cassettes

# BIVIC

THE NEW INFORMATION MEDIUM FOR THE NEW GENERATION OF EXECUTIVES

QUICK RELIABLE INFORMATION ON EASTERN EUROPE

The difference between companies that succeed in Eastern Europe and those that fail will be information. After all, it's not business as usual in a market, that has been cut off from the rest of the world for more than 40 years.

The BIVIC's have the inside information you need — at a glance through the immediacy of video. ● You can learn first-hand about the people, the producers, the factories, the housing and more. ● You'll see how to avoid the pitfalls and learn everything you need to break into Eastern Europe.

● You get ACCURATE, UNBIASED INFORMATION, since ECOVISION GmbH, producer of the BIVIC's, is an independent company, based in Austria, where the traditional links to Eastern Europe allow the best possible flow of information.

CHOOSE THE BIVIC THAT ARE TARGETED TO YOUR BUSINESS

● BIVIC Volume 1: POLAND AND THE DANUBE REGION

Presents an overview for marketers about 3 traditionally linked Central European countries which offer new investment opportunities for the '90's: their economic strength, their advantages, how their traditional links can provide modern entries and what can be expected in the future.

● BIVIC Volume 2: REAL ESTATE IN HUNGARY

Where are the best properties and locations in Budapest, what do they look like, what are the risks and what are the prices? All this and more is answered in this close look at an important market for international investors.

● BIVIC Volume 3: BANKS AND INVESTMENT IN POLAND

Investors will learn about Poland's banking system and emerging opportunities. Plus insight to the legal system and how it applies to foreign investors, financial instruments and what to expect in the future.

● BIVIC Volume 4: TOURISM AND INVESTMENT IN CZECHOSLOVAKIA

Czechoslovakia offers numerous opportunities in the fast growing sector. You'll visually tour the best sites and find out how to utilize them, plus the risks and traps to avoid. A must tape for agencies interested in widening their international offerings.

● BIVIC Volume 5: TOURISM AND INVESTMENT IN BUNGARY

Budapest and Lake Balaton offer exciting opportunities for companies in the tourism industry. An overview about promising tourist sites and pitfalls you should avoid. An important look for any company thinking of expanding its Eastern European operations.

● BIVIC Volume 7: EC EXTRA: SPIRIT FOR NEW TECHNOLOGY

Learn how companies from non-European Community countries may participate in and take advantage of EC Technology Programs. Also included is key basic information regarding the history of the European Community and the current situation there.

● BIVIC Volume 12: HEAD HUNTING IN EASTERN EUROPE

How to get qualified staff and managers in East European countries. Including information about their skills, their training level and what must be done to make the standard industrialized countries are used to. To be delivered in December 1990.

Each half-hour BIVIC shows:

● What is the market and the profit potential? ● What is the labor force like? ● Where is the best place for investment?

● Who are the key business contacts? ● What are the business regulations? ● The risks and opportunities.

PLUS: Each BIVIC includes an indispensable information booklet, which includes telephone numbers of local contacts, business facts and figures and travel tips.

GET THIS NEW INFORMATION MEDIUM published by ECOVISION, available through the

Special Projects Division, 181 avenue Charles-de-Gaulle, 92521 Neuilly Cedex, France.

Special introduction price: US\$ 125.- per cassette

ORDER NOW BY MAIL OR FAX: (33.1) 46 37 52 12.

Please send me:

VHS only: ☐ PAL ☐ SECAM ☐ NTSC

Please allow 2 weeks for delivery.

SPECIAL INTRODUCTION PRICE per cassette: US\$ 125.-

Please add postage US\$ 3 Europe; US\$ 6 Outside Europe.

PAYMENT IS BY CREDIT CARD ONLY

Please charge my ☐ Visa ☐ Mastercard ☐ American Express ☐ Access ☐ Diners Club ☐ Eurocard

CARD NUMBER \_\_\_\_\_ EXP. DATE \_\_\_\_\_

SIGNATURE \_\_\_\_\_

NAME \_\_\_\_\_

ADDRESS \_\_\_\_\_

CITY/CODE \_\_\_\_\_ COUNTRY \_\_\_\_\_

TEL. \_\_\_\_\_ FAX \_\_\_\_\_

**ECOVISION**  
Vienna  
Brussels  
Hamburg  
New York  
Santiago



# 1992 The World's Rendezvous With Europe

U.S. / Wait-and-See Attitude

## Firms Counting on Market Growth

A few headline-catching deals have made it seem as if American companies are planning a strategy for Eastern Europe that emphasizes local production for sales in the West. The East European market — with its low-wage but well-educated work force, limited consumer buying power and non-convertible currencies — would appear to dictate this Western exploitation of the East's underdevel-

### Some companies helping to upgrade infrastructure

oped economy. "The initial flurry [of U.S. investment] is manufacturing for servicing the European Community market," says William T. Archey, international vice president of the U.S. Chamber of Commerce. Such activity is logical since East European countries have advantageous trade agreements with the EC.

Two Hungarian ventures — involving General Motors (engines and vehicles) and General Electric (light bulbs) — are the best examples of this made-for-export strategy. But a look beneath the surface reveals a more varied picture. Once the handful of flashy, export-oriented ventures are discounted, it is evident that American firms are and will be doing a substantial amount of investment aimed at the local market.

"The principle motivation [of American companies] is to position themselves to take advantage of growth" in Eastern Europe, asserts a U.S. Commerce Department official. By the end of the century, the region could account for roughly 10 percent of the trade growth outside of the United States, this official says.

One area of vigorous activity is the provision of services to rebuild the region's dilapidated technological infrastructure and create the prerequisites for a market economy. American telecommunications firms are upgrading several East European countries' phone systems, while computer firms are beginning to set up marketing operations. The potential in these sectors has been improved significantly by the recent decisions of the United States and its allies to loosen export controls on high technology.

American hotel chains are also expanding into several East European countries. Marriott opened a 41-story facility in Warsaw late last year, and the Carlson Co., which operates Radisson Hotels International, is looking at possible franchise deals in the former Soviet bloc.

U.S. advertising agencies are also moving east, hoping to serve their multinational clients as well as garner a share of the business generated by local companies' forays into consumer-based marketing. Young & Rubicam's purchase of a local ad agency in Prague in August was only the latest such move.

U.S. manufacturers of consumer products are looking more seriously at the potential for sales in Eastern Europe now that several countries in the region are taking steps toward creating a more hospitable climate for profit-oriented companies. Hungary has guaranteed the full convertibility of its currency, a step Poland and Czechoslovakia are considering. Poland has also signed a trade treaty with the United States that will provide guarantees against expropriation, protect against software piracy and

ensure prompt approval of license applications.

Among the American companies that are focusing on expanding their consumer product sales in the East are Eastman Kodak and S.C. Johnson (the makers of Pledge and Raid). Levi Strauss is successfully combining manufacturing and local sales of jeans from its Hungarian operation.

Tomasz Talma, an economist at Planecon, a Washington D.C.-based consulting firm, notes that in Eastern Europe "there is a cultural admiration of the U.S. life-style and products. In that sense, the Americans have an easier time going in with their consumer products than the French or British do."

Regardless of the East European hunger for things American, there is not likely to be a stampede of U.S. firms eastward over the next few years. "American companies have been very cautious so far" in their East European investments, says Robert Hormats, an investment banker with Goldman, Sachs & Co.

A survey taken last month of 39 major American multinational companies by the accounting and consulting firm DRT International revealed that only 15 were currently investing in Eastern Europe. Two-thirds of the companies said they had plans to invest in the region, but those moves were three to five years down the road for some of them. Despite the encouraging initiatives taken by Poland and some other countries, a number of American companies are waiting for Eastern Europe to clarify its investment policies further — and demonstrate that such rules will stick.

"Over time, the big variable is not U.S. investment standing by itself, but

## Should Your Company Invest in Eastern Europe?

The first step a foreign company should decide is whether it is interested in Eastern Europe for its export potential or for the domestic sales.

Company type	Company characteristics	How favorable is a near-term move	Examples
Labor-intensive	Large EC or Middle-East customer base	Very favorable	Levi-Strauss
Capital-intensive	Exports farther afield	Favorable	GE-Tungsum
	Need indigenous raw materials or low-cost processed inputs	Very favorable	Guardian Glass
	Using imported R&Ds	Unfavorable	Olivetti
Infrastructure/Banking/Utilities/Construction	Enter now to be optimally positioned for the long-term	Very favorable	Dresdner Bank/CitiCorp
Basic consumer goods	Position company for a growing market as recession is overcome in the short term	Favorable	Black and Decker
Sophisticated consumer goods	No great advantage from early entry, unless targeted at the niche of high-net-worth individuals	Unfavorable	Gucci/Benetton

investment driven by reform in Eastern Europe," says the U.S. Chamber's Mr. Archey. "We romanticize Eastern Europe over here [but] there's a big apprehension in the body politic [of the region] about going to a full free-enterprise system."

Other factors may intervene in American investment plans. In recent weeks, analysts have been cautioning companies about the economic slowdown that could come in Eastern Europe as a result of rising oil prices. This forecast is strengthened by the plans of countries in the region to pay one of their major oil suppliers — the Soviet Union — with hard currency starting next year.

The Soviet Union itself is something of a special case as far as American investment is concerned. Its enormous internal market and vast natural resources dwarf those of the countries in Eastern Europe, and these attractions have been a big drawing card for major U.S. companies.

American firms currently are number one, as far as the West is concerned, in the value of investments in

the Soviet Union, and the interest is not flagging despite the fact that the process of economic and political reform is disrupting lines of authority in the government. Yet the latest big U.S.-Soviet trade deals still have a flavor of the past. PepsiCo will be exchanging its soft drinks for freighters and tanker ships as well as the ubiquitous vodka. The Soviets will trade a number of barter items — probably oil, gold and diamonds — for Philip Morris cigarettes.

Analysts suggest that U.S. investment in the Soviet Union will always be limited as long as the country does not make a clean break with doctrinaire socialist economics. "You have to destroy the old system to let the new system survive," Mr. Hormats says. "The trap people fall into is thinking they can combine the new with the state-run system."

In spite of the caution, West-to-East investment success stories are being reported. Gabe Fulop, a Valley Forge, Pa. physicist, left his native Hungary as a child 40 years ago. But he never lost touch with his country, and he

developed an interest in entrepreneurial ventures as he pursued his scientific career. Last year, he combined his connections in Hungary with his business skills to open a sign-making company in Budapest, backed by American investors. The company, Artflex Ltd., uses computer technology and machinery bought from a Denver firm to design the signs and cut out the letters from vinyl. The manager is a veteran of the small-scale business scene that has thrived outside of state control in Hungary for many years. Artflex must be doing something right. Although he will not disclose exact figures, Mr. Fulop says the company had a net income five times the initial investment in its first year of operation. Thanks to changes in Hungarian law last year, profits from the enterprise can be repatriated back to the United States in dollars. "This business is growing so fast it will be medium-sized next year. We're feeling all the pains of rapid growth," Mr. Fulop says cheerfully.

Steve Dryden

### Briefs / The Countdown Continues

## Passage to the East Eases for Business

• In June, the Coordinating Committee on Multilateral Export Controls (COCOM), which has for 40 years set Western rules on what technology can or cannot be sold to communist nations, approved a significant relaxation of the restrictions. For Honeywell Inc., the Minneapolis-based manufacturer of electronic products, the easing of controls is proving to be a good sales tool in Eastern Europe. The COCOM decision "decontrolled one of our major process automation lines," says Charles Hough, director of trade administration for Honeywell.

• The International Planning and Analysis Group (IPAC), a Washington D.C.-based marketing and consulting firm, has for several years advised American companies that want to enter the East European market. The firm possessed an especially good source of knowledge — Mark Raczyński, a Polish emigré with a background in engineering and business experience in Europe and the United States. Mr. Raczyński is ready to discuss prospects in any East European country, but as a veteran of the Polish underground army in World War II and the Warsaw uprising, he has an understandable bias toward directing business to his native land. "The amount of American investment in Poland has been very disappointing," he says, but he believes that Poland is going to make investment regulations and currency rules more encouraging. What's a good area for trade? "I think one thing that is bound to come in Poland is a housing boom," he says. "There is a tremendous shortage. So there will be a great demand for anything that goes with housing — starting with toilet bowls and ending with ceramics."

• From its new headquarters in the business hub of La Défense west of Paris, the University of Hartford Business School helps students prepare for the global market of the '90s. The school offers a three-year evening Masters in Business Administration program that includes a three-and-a-half-month or five-week summer session on its West Hartford, Connecticut campus. The shorter session is designed to fit the needs of part-time European students who would like to study in the United States during their summer holidays. Also in preparation for January 1991 is a Professional Development seminar series featuring daytime or even-

ing courses in marketing, management and information systems.

• Standardization of all credit card systems in the EC is a major proposal contained in a report under study by the EC Commission aimed at improving the Community's cross-border payments systems. The draft, which strongly urges adoption of permanent locking of exchange rates as part of the plan for economic and monetary union, also urges establishment of a payment systems coordinating group, which would analyze all future proposals aimed at improving cross-border banking services.

• A proposed Third Directive on non-life insurance, aimed at eliminating the final hurdles in the insurance market and providing lower-cost services, was recently submitted for approval by the EC Council of Ministers. The ministers asked for more technical work on the directive by commission experts before voting. A final decision is expected shortly. The directive, if approved, would allow insurance companies established in one EC member state to offer all their services, except life insurance, in every other state without being previously authorized or established there. A single license issued by one country will be the only prerequisite.

• The two major U.S. and EC research bodies seeking to develop their semiconductor industries have agreed to begin cooperation in several key areas. Members of the European JESSI organization and the American-supported SEMATECH group, at a two-day meeting in Austin, Texas last month, agreed to launch "a standards program" and identified areas where "reciprocal sharing" of technology would benefit member companies on both sides of the Atlantic. The two groups were previously regarded as intense competitors.

• New powers of the EC Commission to regulate large mergers and acquisitions became effective September 21. Following last-minute changes, the regulation approved by the council allows the commission to intervene when the companies involved in a bid or merger have world sales exceeding ECU5 billion, or where the sales of at least two of the companies involved exceeds ECU250 million. Member states have kept the option of referring actions to the commission if the amounts in-

voiced are below these thresholds.

• U.S. investments in EC countries are leading a continuing spending boom by foreigners. Investments by U.S.-owned affiliates in

Europe were up by one-third during the past two years, totaling \$22 billion annually, according to the Brussels-based Conference Board Europe, a non-profit analysis group.

## PART-TIME MBA

Acquire managerial skills at the highest level: obtain a Master of Business Administration Degree in evening classes over a 3-year period. Start in November with Human Factors in Management taught by the University of Hartford Faculty. For more information, contact Pamela Meade at the UNIVERSITY OF HARTFORD BUSINESS SCHOOL, 8, Terrasse Bellini, Paris-La Défense 11, 92807 Puteaux Cedex. Telephone: 49 00 19 61 - Fax: 47 76 45 13. Enseignement Supérieur Privé - Association Loi 1901.

# 1492

Christopher Columbus discovers America.

500 Years later

# 1992

The Europeans discover Europe.

NOW. Discover Germany by learning German

PLEASE SEND ME FREE DETAILS OF YOUR LANGUAGE COURSES IN GERMANY.

OR IN \_\_\_\_\_ COUNTRY

NAME \_\_\_\_\_

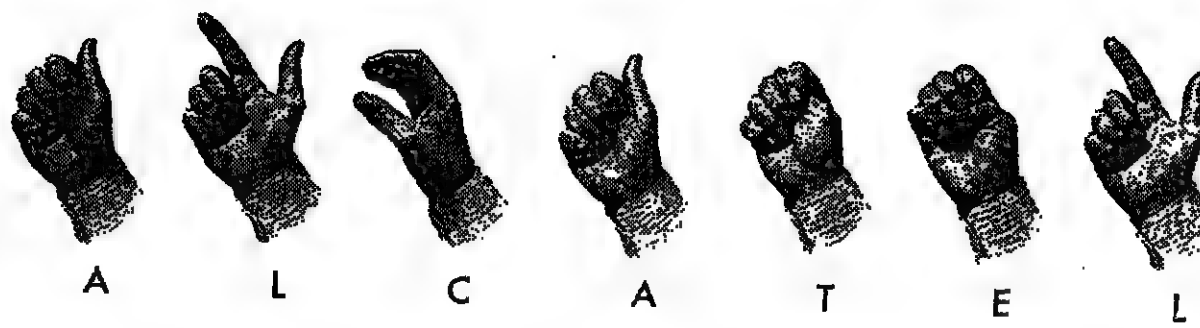
ADDRESS \_\_\_\_\_

GOETHE-INSTITUT

LEINBACHPLATZ 3 D-6000 HINGEN 2 TEL 089/59 99-700

1390

## The answer to all your communication problems.



Whatever country you're in, we speak your language. Whatever business you're in, we have an understanding of it. And whatever communications system you utilize, we already deal in it.

In fact, you'll never find us wanting or lacking. Not today nor in the future. (Over \$1.5 billion invested every year in research and development goes to that.)

Our field of expertise includes: Network Systems, Business

Systems, Cables, Radiocommunications - Space and Defense, and Network Engineering and Installation. Operating in 110 countries throughout the world.

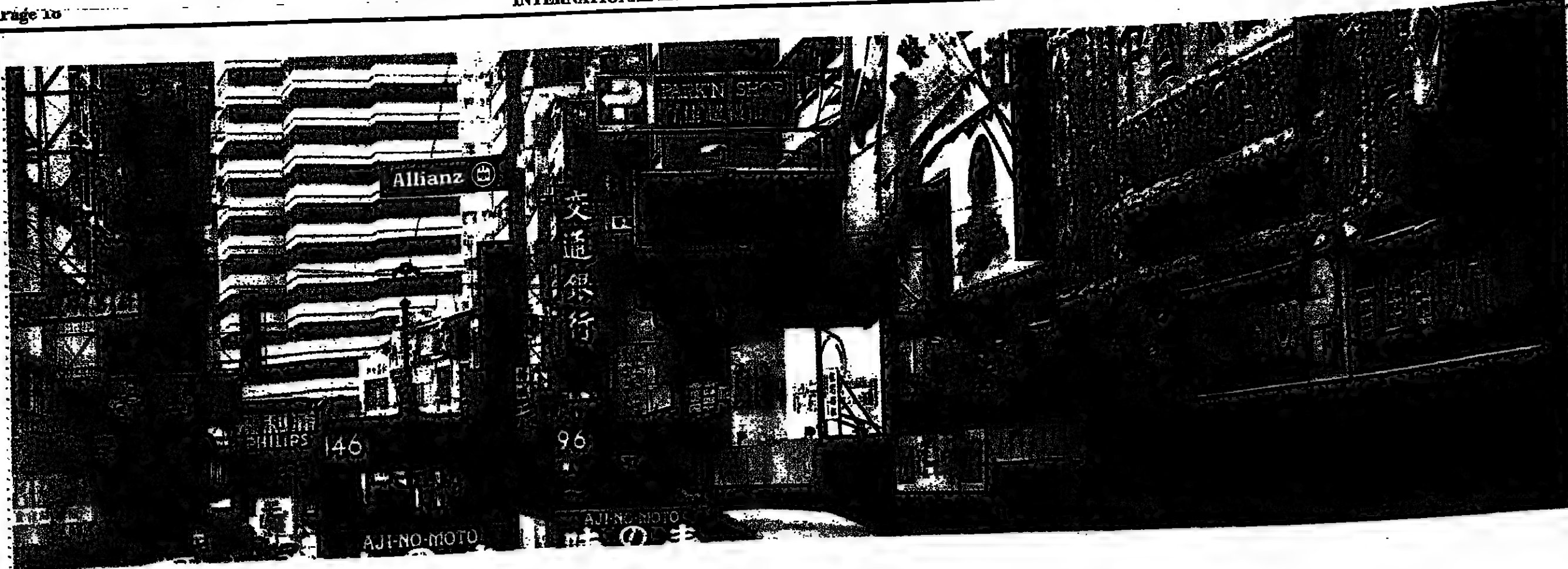
Global we may be, but our advice is always local and tailored to your individual needs; that's exactly what Alcatel's 120,000 worldwide experts are there for.

That leaves us with just one thing to add. Whatever your communication problem is, we most definitely have the solution.

ALCATEL

Alcatel n.v., World Trade Center, Struwwinkel 341, NL 1077 XX Amsterdam, The Netherlands.





# Europe's No.1 insures your risk. Being at home where you are.

Familiarity with regional situations is the precondition for offering the right insurance cover for every risk. Allianz is at home in 39 countries all over the world. For 100 years comprehensive technical and financial resources

have made Allianz a proven partner for business.

Chance has played no role in making us the leader in the demanding European market. Nowadays, Allianz insures major industrial and technical projects all over the world:

## Allianz



EUROPE'S LEADING INSURANCE COMPANY

Allianz worldwide: Argentina, Australia, Austria, Belgium, Bermuda, Brazil, Canada, Chile, Denmark, Egypt, France, Germany, Great Britain, Greece, Hong Kong, Hungary, Indonesia, Ireland, Italy, Japan, Liechtenstein, Mexico, Netherlands, New Zealand, Norway, Peru, Portugal, Saudi Arabia, Singapore, South Africa, Spain, Sweden, Switzerland, Tunisia, Turkey, U.A.R. (Libya), U.S.A., Venezuela, Yugoslavia.

# 19

## Joint-Venture

One of the most important factors in the success of a joint-venture is the choice of partners.

MAKING

MAKING

MAKING

MAKING

MAKING

MAKING

MAKING

### Banks' Manager

### Western

Widespread bank essential in Eastern Europe. Banks are needed to help the region's economies to develop.

Western banks are active in helping Eastern Europe to develop its economy.

### Banks say term

### begin with bank

Bankers say that the first step in the development of a country is to establish a sound banking system.

Bankers say that the first step in the development of a country is to establish a sound banking system.

Bankers say that the first step in the development of a country is to establish a sound banking system.

Bankers say that the first step in the development of a country is to establish a sound banking system.

Bankers say that the first step in the development of a country is to establish a sound banking system.

### Eastern Europe

### Investor

Investors are looking for opportunities in Eastern Europe.

Investors are looking for opportunities in Eastern Europe.

Investors are looking for opportunities in Eastern Europe.

Investors are looking for opportunities in Eastern Europe.

Investors are looking for opportunities in Eastern Europe.

Investors are looking for opportunities in Eastern Europe.

Investors are looking for opportunities in Eastern Europe.

Investors are looking for opportunities in Eastern Europe.

Investors are looking for opportunities in Eastern Europe.



# 1992 The World's Rendezvous With Europe

## Joint-Venture Legislation

Country	Legislation	Comments
Czech Republic	Law on Foreign Investment (1990)	First law of its kind in the region, allowing 100% foreign ownership in most sectors.
Hungary	Law on Foreign Investment (1990)	Similar to Czech law, but with some restrictions on land ownership.
Poland	Law on Foreign Investment (1990)	Requires joint ventures for most sectors, but allows 100% ownership in services.
Romania	Law on Foreign Investment (1990)	Requires joint ventures for most sectors, but allows 100% ownership in services.
Slovakia	Law on Foreign Investment (1990)	Requires joint ventures for most sectors, but allows 100% ownership in services.
Yugoslavia	Law on Foreign Investment (1990)	Requires joint ventures for most sectors, but allows 100% ownership in services.

## Media / New Strategies Needed

### Western Giants Trying To Go Local

Western Europe's media giants have announced a spate of deals in Eastern Europe over the past few weeks. The market they are rushing to enter is large and sophisticated — and highly fragmented.

The announcement in September that Gruner + Jahr (a subsidiary of Bertelsmann, one of the world's largest media companies) would team up with British communications tycoon Robert Maxwell in buying the most profitable publishing house in East Germany, Berliner Verlag, was hailed

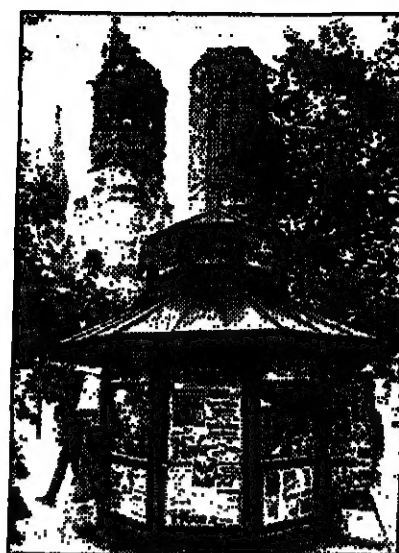
Germany, Sophia Loren movies in the Soviet Union, French game shows and German TV news magazines in Poland, auto magazines in Hungary.

There are two main perspectives on the East European media market. One is positive, focusing on the region's raw size and degree of development: around 122 million television households (76 percent of the total population), almost 100 percent literacy, a long tradition of "self-supply" — smuggling video cassettes and books and tapping in on Western broadcasts — and now market freedoms matching rapidly developing freedom of the press.

The more cautious view is of Eastern Europe as a crazy-quilt of local tastes, restrictions and commercial enterprises, in which Romanians are still relying on foreign broadcasts for information and entertainment while Czechs can enjoy three broadcasting networks as well as a private-sector channel that airs CNN, Screensport, Worldnet and MTV.

Bulgaria is one of the best examples of the East's contradictions. Its new socialist government has been negotiating with Maxwell, Murdoch, Berlusconi, Superchannel and West German publishers for the right to take an equity in a third commercial TV channel, although the government remains unstable and advertising income is lacking.

With the possible exceptions of East Germany, where media has joined sport, property ownership and the scheduling of school holidays on the list of difficult-to-resolve German-German questions, and the Soviet Union, where an early September decree essentially gave the broadcast media the same deregulated freedoms as those in print, no country is as turbulent as Hungary. "Nearly ev-



New publications are proliferating.

every week a new magazine" in Hungary, reports a headline in the *Suddeutsche Zeitung*. Leading titles are said to be *Tözsde Csur* and *Privat Profit*, the former a report on the budding Hungarian stock market and the latter full of tips on how to invest one's money.

Many Budapest publishing houses, faced with the same loss of readership to television that their East European counterparts have experienced, have turned to producing profit-making computer manuals. Newspapers, faced with their own difficulties, have followed the Polish example and introduced massive color TV supplements.

Amid all the political and economic uproar associated with the increasingly complex East European media, one common feature has emerged: focus on teenage culture, perceived as the hottest new market.

Terry Swartzberg

Steve Dryden is a Washington D.C.-based journalist.

Timothy Harper is a London-based American journalist and lawyer.

Axel Krause is corporate editor of the International Herald Tribune.

Clifford Stevens is a journalist based in Vienna.

Terry Swartzberg is editor-in-chief of Who's Who Edition European Business and Industry.

## Banks / Management Training

### Western Banking Know-How Goes East

Widespread banking reforms are essential in Eastern Europe. Western banks are transferring their know-how to help the region catch up to the West economically — and to position themselves in new markets.

Western banks are generally interested in helping East European nations move from centralized to free-market economies. Banks say that

#### Banks say seminars begin with basics

Seminars often begin with basics, such as the role of banks in the economy, capital markets and securities, establishing interest rates, foreign payments, computerizing operations and the granting of loans.

"You have to virtually begin from scratch. Many East European bankers only had to act like administrative clerks," says Ernst Jankowitsch, managing director of the Creditanstalt Academy, the training center of Austria's largest bank. "They have to learn how to run banks like profit-making enterprises. That was not necessary until now."

Peter Gwinnett, senior manager for East European operations at Barclays Bank in London, concurs: "Courses in general banking are needed on all levels. East European banks were never market-oriented, and were giv-

ing orders. Now they have to make decisions, take the initiative, learn management skills. For example, they never had to examine a company's balance sheets or look at the risks in a given transaction."

Joint ventures with East European banks usually entail management training by the Western partners. However, Western institutions are going out of their way to offer separate courses, using them to establish their reputations in the region and to achieve a competitive advantage.

"Every bank has a bottom-line, long-term business angle," says Mr. Gwinnett.

According to Reinhard Wind, senior regional manager for Österreichische Länderbank in Vienna, Western banks aim to take advantage of newly made contacts, hoping East European bankers will grant them international business or send them their clients. In addition, he says, seminars are a means of targeting qualified local personnel for future bank activities.

Austrian institutions, capitalizing on traditional historic and economic ties, are in the vanguard of Western activities. Creditanstalt Bankverein is hosting an East European group this fall for two weeks in Vienna following a two-week training course for division managers earlier in the year. Länderbank has held seminars in Prague, Budapest, Ljubljana and Bulgaria and

at the Institute for World Business and International Relations in Moscow. Girozentrale Vienna is also intensifying its efforts to train East Europeans.

The Frankfurt-based Deutsche Bank is concentrating on former East Germany. According to a spokesman, the bank absorbed 120 branches and 8,500 employees from the Deutsche Kreditbank. Deutsche Bank is offering on-the-job training for many East German employees, as well as courses for 500 bank apprentices.

Western banks hope for a "snowball effect" in having East Europeans transmit knowledge gained to other colleagues. "With a new understanding of banking, they will go back home and slowly stimulate change," Mr. Jankowitsch of Creditanstalt says.

The Banking Institute of Associated Banks of Europe, located in Bad Homburg in West Germany, is now offering training courses for East European managers, and Banque Nationale de Paris is currently playing host to six East European managers for six months, as well as sponsoring a seminar in September for 20 to 30 Soviet bankers. However, according to Maurice Maure, the bank's manager of East European operations, no single institution can possibly tackle the sheer numbers of people who need to be trained, so Western organizations should work together.

Clifford Stevens

## Eastern Europe / Potential and Pitfalls

### Investors Need Patience and Flexibility

Continued from Page 15

companies willing to sacrifice short-term profits.

As an adviser to the Polish government, Mr. Gabrielczyk encourages Westerners to invest their money in Poland rather than in other East European countries, largely because of its size, central location and historic trade relations with Russia. He also cites cheap labor and the fact that the Solidarity-led government's "shock therapy" for the economy has wiped out the currency black market and resulted in the zloty being internally convertible to the dollar.

Mr. Gabrielczyk feels Poland's chief rivals for the Western dollar are Hungary and Czechoslovakia; East Germany has been absorbed into West Germany, and other emerging Soviet satellites such as Bulgaria and Romania have not yet taken the political or economic steps necessary to allow them to compete effectively for foreign investment and trade.

The competition among Hungary, Czechoslovakia and Poland — comparable to U.S. presidential primary candidates who all support the same broad goals but who each claim a unique ability to achieve them — has sent their various representatives stumbling across Western Europe and America looking for prospective trade partners and investors.

Imre Rethy, finance director of Skala Co-Op, which dominates Hungarian retailing, emphasizes Hungary's political stability, cheap import licenses, duty-free schemes, convertible currency, limited competition and relatively low but rapidly rising consumer consumption. "We're looking for joint ventures," Mr. Rethy tells audiences of foreign retailers.

Judith Gergely, a Budapest investment adviser, points out that Western companies participating in joint ventures can send in their own managers, enjoy substantial tax breaks and take

advantage of a lack of wage controls. She admits that Hungary, like other East European countries, suffers from a dismal lack of productivity. She says, however, that labor efficiency in joint ventures involving Westerners is three to six times as high as for other Hungarian corporations, and profitability is twice as high.

Bohuslav Klein, an official with the Czechoslovak Chamber of Commerce, says inquiries from the West are up "1,000 percent" in the past year. He spends much of his time meeting would-be investors and sifting through their proposals. "A lot of them are cowboys who come in and think they're going to make a lot of money real fast," Mr. Klein says. "They're in Prague for 23 hours, and they're ready to invest millions. I tell them that's not even enough time to find a nice restaurant."

Martin Svehla, a spokesman for the State Bank of Czechoslovakia, says Western investment — joint ventures in which the East European partners share in the financial risk — is hampered by the lack of a Western-style banking system. Few banks make commercial loans, and interest rates can be as high as 60 percent annually. In addition, Mr. Svehla says, Western manufacturers typically must start from the ground up when coming to Eastern Europe; they are finding few products that can be marketed abroad. "We make a lot of goods nobody wants," he says.

Westerners struggling to do business in Eastern Europe point to information technology flaws, poor management and inefficient retail distribution, along with the lack of a familiar business culture, convoluted legal requirements and almost worthless bookkeeping and accounting.

And then there is the problem of dealing with communist legal systems in which individuals are barred from owning property. "For a property developer to prosper, the most important

factor is certainty of ownership," says Iain Waters of the London-based property investment firm MEPC, which has \$6 billion in worldwide holdings but is not rushing to expand into the East. The East European countries all appear to endorse the idea of private land ownership, Mr. Waters says, but what about people who stake old family claims based on deeds or possession from pre-communist times? "All you bold property developers will feel pretty silly if old Friedrich pops up claiming his allotment in the middle of your one-million-square-foot shopping center," he recently told a group of Americans and Europeans at a Helsinki conference on shopping-center development.

Aside from their internal woes, which include mounting inflation, outside events have not been kind to Eastern Europe's fragile economies in recent weeks, particularly with a double oil blow. First, the Soviet Union, the world's largest oil producer, said it was cutting its oil shipments to Eastern Europe and would demand hard-currency payments instead of barter for future shipments. Second, the Middle East crisis has shut off a major trade avenue through which oil was being swapped for East European products such as food, clothing, medicine, machinery and weapons.

All the obstacles have frightened off many would-be investors and traders from Eastern Europe. But not all. Some farsighted executives and financiers, the ones with confidence in their own flexibility, still have confidence in Eastern Europe's potential.

Tony O'Reilly, chairman and CEO of the Pittsburgh-based Heinz food empire, recently announced plans to explore joint ventures in Eastern Europe. "The biggest difficulty with the East," he says, "is to realize what they don't understand."

Timothy Harper



"Mr. Thompson is here from PacTel—he says he's eleven years early."

**Planning Ahead.** The PacTel Corporation is providing now for the telecommunications needs of the twenty-first century. Our companies have cellular, paging, computer and telephone service projects in place, around the world. And as a member of the multi-billion dollar Pacific Telesis Group, we have the resources and expertise to tailor solutions to the problems of the next century. Are we getting ahead of ourselves? The twenty-first century is only eleven years away.

**PAC TEL Corporation**  
Pacific Telesis International   PacTel Cellular   PacTel Paging   PacTel Business Systems   PacTel Properties  
PacTel Telecare   PacTel Cable  
A Pacific Telesis Company

© 1990 PacTel Corporation







# MONDAY SPORTS

## Redskins Get Past The Eagles

Compiled by Our Staff From Dispatches  
Gerald Riggs slammed in for a 30-yard touchdown and Chip Lohmiller kicked two field goals after missing his first four attempts Sunday, leading the Redskins to a 17-7 victory over the Philadelphia Eagles in Washington.

### NFL ROUNDUP

The Eagles' lone score came with 47 seconds remaining on a nine-yard touchdown pass from Randall

Muningham to Fred Barnett, who jumped Darrell Green for the fall. Philadelphia tried an onside kick, but it failed.

Stan Humphries, in his third National Football League start in place of the injured Mark Rypien, was 14 of 31 passing for 200 yards.

Lohmiller missed in the first half from 51, 48 and 41 yards. He missed from 50 yards in the third quarter before hitting from 33 and 9 in the fourth quarter.

The Eagles played without Pro Bowl receiver Mike Quick, put on injured reserve Saturday still recovering from knee surgery.

Cowboys 17, Bills 13: Troy Aikman's 28-yard touchdown pass to Michael Irvin with 23 seconds remaining capped an 80-yard drive in Dallas in Tampa, Florida.

Irvin's catch came 1:33 after Steve Christie's 32-yard field goal appeared to thwart the Cowboys' effort to overcome a 10-point halftime deficit and beat the Bills for the second time in three weeks.

Aikman, who completed 13 of 29 passes for 159 yards, threw 14 yards to Irvin and 18 yards to Jay Novacek before scrambling 20 yards for a first down at the Bills' 8 on the decisive drive. Dallas called a timeout with 31 seconds left, and Irvin slipped behind Rodney Rice on the next play to make the winning catch in the end zone.

Broncos 27, Colts 17: John Elway passed for 307 yards and two touchdowns as Denver, ending its longest losing streak in seven years, pulled Eric Dickerson's return to the Colts in Indianapolis.

Dickerson kicked a 42-yard field goal for the Broncos with 45 seconds left. They added a touchdown on a four-yard run by Steve Watson two minutes later, ending a three-game slide.

Indianapolis (2-4) got 55 yards in nine carries by Dickerson, playing his first game of the season after a contract dispute.

Bills 30, Jets 27: John Elway threw a touchdown pass, including a winner to Jamie Mueller with seconds left in Orchard Park, N.Y., as Buffalo rallied for a third week in a row.

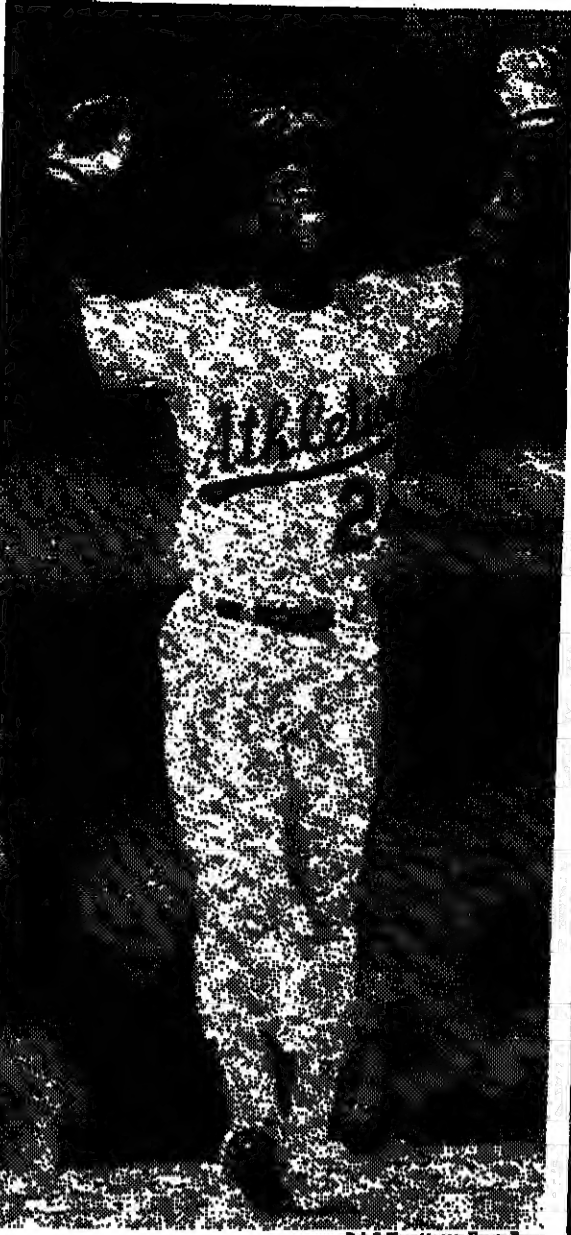
Kelly, who passed for 297 yards, and Mueller in the end zone for a yard touchdown, completing a yard, 11-play drive.

Kelly threw two touchdowns passes to Andre Reed and a 60-yarder to James Lofton as the Bills overcame a 14-point deficit.

Oilers 23, Saints 10: Lorenzo Carter ran for one touchdown and a pass for a second score as Oilers won in Houston, spoiling a debut of Steve Walsh as the team's starting quarterback.

Walsh, who passed last month from a knee injury, threw for 252 yards and one touchdown, a 13-yarder to Hoby Baker with 12:53 to go. He was intercepted once, fumbled once and was sacked four times. (UPI, AP)

# Rijo Grand in Reds-Hot World Series Sweep



The agony of the World Series belonged to such A's as Rijo. Henderson, above, who found striking out hard to countenance in the final game. The ecstasy belonged to such Reds as Chris Sabo, who rose up to go nine for 16.



Jose Rijo, World Series MVP, celebrated with his wife and son.

By Mark Maske

Washington Post Service

OAKLAND, California — The Cincinnati Reds wobbled, but they refused to fall down. Even first-inning injuries to two key players and a succession of failed rallies could not derail their charge to a World Series sweep of the Oakland Athletics, as Jose Rijo outpitched Dave Stewart and the Reds captured their first championship in 14 years with a 2-1 victory.

By the second inning Saturday night, this matchup more closely resembled a spring training B-team game than a tense World Series showdown. Manager Tony La Russa had reshuffled Oakland's lineup to exclude the ailing slugger Jose Canseco, and the Reds had suffered through a torturous beginning in which they fell behind by a run and lost outfielders Billy Hatcher and Eric Davis to injuries that likely were severe enough to sideline them for the duration of the series had Oakland been able to extend it.

But Stewart and Rijo remained, and two friends and former teammates on the A's proceeded to craft a pitcher's battle of supreme majesty. Rijo limited Oakland to two hits, none after the first inning, and struck out nine in an 8 1/2-inning masterpiece. Rijo retired the final 20 hitters he faced to beat Stewart for the second time in the series and earn most valuable player honors.

"This is the greatest feeling I've ever had in my life," Rijo said. "We beat a great team, so that means we are a great team. Everyone said we couldn't win, but the Oakland A's are second-best now."

Randy Myers got the final two outs to preserve the triumph, retiring pinch hitter Canseco on a ground out to third baseman Chris Sabo and Carney Lansford on a foul pop to first baseman Todd Benzinger to set off the celebration. Sabo went three for four Saturday to finish the series nine for 16.

"You're looking at a team that's just realizing its greatness," said Lou Piniella, manager of the Reds.



Jose Rijo, World Series MVP, celebrated with his wife and son.

"The battle all year was for them to believe just how good they are. Maybe now they do."

Stewart was slightly less overwhelming than Rijo but almost as effective in battling through a gritty, seven-hit performance. He took a 1-0 lead into the eighth inning but could not hold on.

The Reds had gone zero for eight with men in scoring position through the initial seven innings and left runners at third base in both the sixth and seventh. But Barry Larkin led off the eighth with a line-drive single to center field, and Herm Winningham, Hatcher's replacement, beat out his sacrifice bunt attempt.

Stewart pulled Willie Randolph off first base on Paul O'Neill's bunt to leave the bases loaded with no outs. A grounder by Glenn Braggs, Davis's replacement, to shortstop Mike Gallego produced one run, and Hal Morris's sacrifice fly to Willie McGee in right field brought home Winningham with the run that would win the game.

Before Morris stepped to the plate, La Russa had visited the mound and opted to leave Stewart

in rather than bringing on closer Dennis Eckersley.

"To me, Steve is the guy who was in charge of that game," said La Russa. "Eckersley wasn't very close to getting in."

"I fought them all I could," said Stewart. "I clawed at them and they clawed at me, and they finally won on a couple bunts and with a couple guys who weren't even supposed to be in there. That tells me it wasn't meant to be for us."

"They just outplayed us from start to finish. Winning feels better than most people think, and losing feels worse."

No team ever has recovered from the predicament Oakland faced Saturday night. Of the 17 previous clubs to face 0-3 World Series deficits, 14 had been swept and three had lost in five games. But if the A's were going to lose, they were not going to do so in the same manner. La Russa's lineup looked as though it came from the second game of a doubleheader. Dave Henderson batted third, Lansford fifth and Mark McGwire seventh-one spot behind Jamie Quirk, the third-string catcher who never had played in a World Series despite being eligible three times.

The A's mustered their best mask of defiance. As a rallying point they had Stewart, who won 13 of 19 starts following an Oakland loss this year and had a 7-2 record with a 2.52 earned-run average in postseason play despite his loss to Rijo in the first game of this series.

"We were confident we could come all the way back," Stewart said. "We were absolutely sure we were going to send this thing back to Cincinnati."

The A's got off to a good start, holding a lead after the first inning for the first time in the series as La Russa's juggling provided quick dividends and the Reds were afflicted by the injury stampede.

Hatcher was nine for 12 in the series when he came to bat in the first, but he couldn't elude Stewart's inside fastball and was hit on his left hand. Hatcher tried to remain in the game, finally taking the field for the bottom of the second.

Davis, however, was the more alarming injury. It occurred as he dived for McGee's one-out, first-inning liner in left field. Davis had the ball momentarily, but it was jarred loose as he struck the ground and McGee pulled into second while Davis writhed in pain.

He too, stayed in the game briefly. But television cameras caught him being all but carried by trainers toward the Cincinnati clubhouse after the inning ended. The team said Davis was urinating blood inside the clubhouse.

Both he and Hatcher were taken to a nearby hospital for X-rays. Hatcher with a severely bruised hand, Davis with a severe contusion of the right rib cage and a bruised kidney. Davis was admitted to Martin Hospital and the Reds said he was in the intensive care unit, where he was expected to remain for five to seven days.

"I was going to have to activate myself," Piniella said. "We won a very opportune time."

Before Davis and Hatcher departed, though, the A's grabbed the lead. Dave Henderson followed McGee's double by popping out, and the Reds walked Harold Baines to get to Lansford. But the strategy backfired when Lansford grounded a run-scoring single through the middle — at the time, Oakland's third hit in 24 at-bats with runners in scoring position during the series.

They would have only one more, as McGee struck out with runners at second and third in the second inning, and Rijo, using more sliders than fastballs, and Myers didn't permit a base runner thereafter. "They just shut us down," said Lansford, "end of story."

## Box Scores

### GAME 4 BATTING SUMMARY CINCINNATI

	AB	R	H	E
Larkin	4	1	1	0
Hatcher	4	1	1	0
Winningsham	4	1	1	0
O'Neill	4	1	1	0
Davis	4	1	1	0
Briggs	4	1	1	0
Morris	4	1	1	0
Sabo	4	1	1	0
Benzinger	4	1	1	0
Oliver	4	1	1	0
Duncan	4	1	1	0
Totals	36	9	9	0

### GAME 5 BATTING SUMMARY CINCINNATI

	AB	R	H	E
Larkin	4	1	1	0
Hatcher	4	1	1	0
Winningsham	4	1	1	0
O'Neill	4	1	1	0
Davis	4	1	1	0
Briggs	4	1	1	0
Morris	4	1	1	0
Sabo	4	1	1	0
Benzinger	4	1	1	0
Oliver	4	1	1	0
Duncan	4	1	1	0
Totals	36	9	9	0

### GAME 6 BATTING SUMMARY CINCINNATI

	AB	R	H	E
Larkin	4	1	1	0
Hatcher	4	1	1	0
Winningsham	4	1	1	0
O'Neill	4	1	1	0
Davis	4	1	1	0
Briggs	4	1	1	0
Morris	4	1	1	0
Sabo	4	1	1	0
Benzinger	4	1	1	0
Oliver	4	1	1	0
Duncan	4	1	1	0
Totals	36	9	9	0

### GAME 7 BATTING SUMMARY CINCINNATI

	AB	R	H	E
Larkin	4	1	1	0
Hatcher	4	1	1	0
Winningsham	4	1	1	0
O'Neill	4	1	1	0
Davis	4	1	1	0
Briggs	4	1	1	0
Morris	4	1	1	0
Sabo	4	1	1	0
Benzinger	4	1	1	0
Oliver	4	1	1	0
Duncan	4	1	1	0
Totals	36	9	9	0

### GAME 8 BATTING SUMMARY CINCINNATI

	AB	R	H	E
Larkin	4	1	1	0
Hatcher	4	1	1	0
Winningsham	4	1	1	0
O'Neill	4	1	1	0
Davis	4	1	1	0
Briggs	4	1	1	0
Morris	4	1	1	0
Sabo	4	1	1	0
Benzinger	4	1	1	0
Oliver	4	1	1	0
Duncan	4	1	1	0
Totals	36	9	9	0

## Box Scores

### GAME 9 BATTING SUMMARY CINCINNATI

	AB	R	H	E
Larkin	4	1	1	0
Hatcher	4	1	1	0
Winningsham	4	1	1	0
O'Neill	4	1	1	0
Davis	4	1	1	0
Briggs	4	1	1	0
Morris	4	1	1	0
Sabo	4	1	1	0
Benzinger	4	1	1	0
Oliver	4	1	1	0
Duncan	4	1	1	0
Totals	36	9	9	0

### GAME 10 BATTING SUMMARY CINCINNATI

	AB	R	H	E
Larkin	4	1	1	0
Hatcher	4	1	1	0
Winningsham	4	1	1	0
O'Neill	4	1	1	0
Davis	4	1	1	0
Briggs	4	1	1	0
Morris	4	1	1	0
Sabo	4	1	1	0
Benzinger	4	1	1	0
Oliver	4	1	1	0
Duncan	4	1	1	0
Totals	36	9	9	0

### GAME 11 BATTING SUMMARY CINCINNATI

	AB	R	H	E
Larkin	4	1	1	0
Hatcher	4	1	1	0
Winningsham	4	1	1	0
O'Neill	4	1	1	0
Davis	4	1	1	0
Briggs	4	1	1	0
Morris	4	1	1	0
Sabo	4	1	1	0
Benzinger	4	1	1	0
Oliver	4	1	1	0
Duncan	4	1	1	0
Totals	36	9	9	0

### GAME 12 BATTING SUMMARY CINCINNATI

	AB	R	H	E
Larkin	4	1	1	0
Hatcher	4	1	1	0
Winningsham	4	1	1	0
O'Neill	4	1	1	0
Davis	4	1	1	0
Briggs	4	1	1	0
Morris	4	1	1	0
Sabo	4	1	1	0
Benzinger	4	1	1	0
Oliver	4	1	1	0
Duncan	4	1	1	0
Totals	36	9	9	0

### GAME 13 BATTING SUMMARY CINCINNATI

	AB	R	H	E
Larkin	4	1	1	0
Hatcher	4	1	1	0
Winningsham	4	1	1	0
O'Neill	4	1	1	0
Davis	4	1	1	0
Briggs	4	1	1	0
Morris	4	1	1	0
Sabo	4	1	1	0
Benzinger	4	1	1	0
Oliver	4	1	1	0
Duncan	4	1	1	0
Totals	36	9	9	0

## Sabo: Elements Of True Style

By Thomas Boswell

Washington Post Service

OAKLAND, California — On the first pitch of the second inning Friday night, big Mike Moore of the A's sent a message to smallish Chris Sabo of the Reds. Moore brushed him back, gave him a shove, whichever phrase you like. On purpose? Who knows.

But the A's do play intimidation baseball. And Sabo had gotten three straight hits in the second game of the Series, one setting up Joe Oliver's winning hit.

Sabo didn't change expression. He worked the count full, then drove one of Moore's pitches so far over the left field fence that Ricky Henderson couldn't even draw attention to himself by pretending to climb the fence.

Sabo jogged around the bases quickly, head down, shook hands at the plate, gave a perfunctory hand slap to the on-deck hitter and disappeared into the dugout with the Reds ahead, 1-0.

The next time Sabo and Moore met, the Reds led, 3-2, in the third and had a man on. Sabo, who wears a crew cut and goggles so that he won't get dirt in his eyes when he dives head-first, made himself inconspicuous in the batter's box. A little man who lifts a lot of weights and has made himself a minor power hitter.

This time, his hammer did not go quite as far into the bleachers. But his home run trot — or rather, his businesslike sprint — was identical. No emotion. No words for Moore as he rounded third. No elbow bashing at the plate. The Reds led, 5-2. By the end of the inning, it was 8-2.

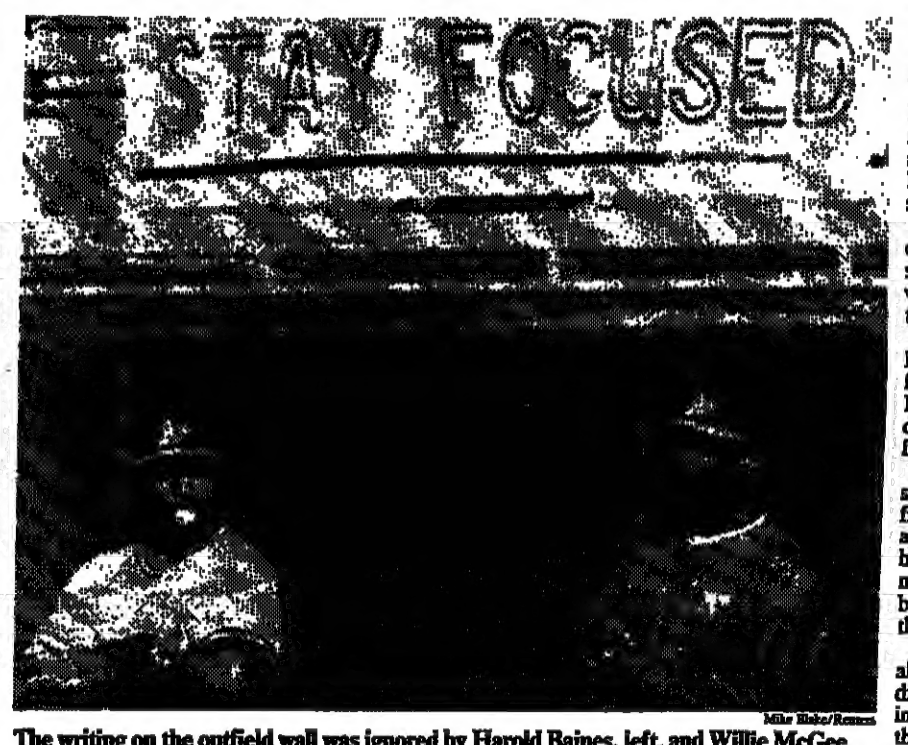
The first batter in the bottom of the fourth, Henderson, homered into the same left field bleachers. He stood and watched his fielder looked as if he might stop in the Reds' dugout for a drink of water. As he heard second base, he went into his dance. At home, he celebrated himself some more.

His team still trailed by five runs. It was about to lose its third straight of the Series. It was on route toward joining the '54 Cleveland Indians as the biggest bunch of losers in history. But Ricky had to do his trot.

When Mark McGwire and Carney Lansford bash their big forearms after a home run, that's essentially a question of taste, of style, isn't it? When Dennis Eckersley embraces a batter by jamming his imaginary pistol at him after he strikes him out, that's a matter of style. Or, perhaps, too much style. When Jose Canseco flexes his muscles to fans who taunt him or when Dave Henderson does his tip-toe snatch catch in center field or when Dave Stewart goes into his Death Stare, it can seem like just a little too much.

In the third game, the Reds paid back in spades the disrespect they have felt at the hands of the A's. The way to embarrass the A's, to make them look like tangle-footed Goliaths, is to run on their catchers and all of their weak-armed or fundamentally careless outfielders.

And run the Reds did. Billy Hatcher, after his



The writing on the outfield wall was ignored by Harold Baines, left, and Willie McGee.

eighth hit of the Series, went first to third as first baseman McGwire booted a grounder. Paul O'Neill went first to third, drawing a wild overthrow that allowed Eric Davis to take second base in a cloud of dirt. Joe Oliver legged out a double into the left field corner, then challenged Dave Henderson on a single to center and scored. Barry Larkin doubled off the wall in left, but, just to show up the Hendersons, stretched it into a pointed two-out triple.

Before this evening was done, third baseman Sabo showed every aspect of what his Reds are about. He fielded a hard grounder by Dave Henderson and made it look like an easy play. When Mike Gallego bunted, Sabo got to the ball textbook fashion. Finally, leading off the seventh, in what might be his last chance to hit a third home run in one Series game — joining Babe Ruth, Reggie Jackson and no one else — Sabo worked the count full once more.

The next pitch was over the plate but low, barely. A pitch that could, perhaps, be golfed for a home run. Or fouled, to get another pitch. Sabo took it for ball four. He was the leadoff man. It was his job to get on base.

For Sabo to be both the hero and the symbol of this game had a perfect but troubling symmetry. You see, Sabo has, since adolescence, modeled himself and his game on one old-time player whom he's worshipped for 20 years, and who was his first major league manager. To this day, Sabo will speak only good of this man, the man who had faith in him and put him into the Reds' lineup when nobody in the organization thought he'd be more than a mediocrity.

No one had to ask for whom Chris Sabo played the game of his life this night. He already had said it a thousand times. Pete Rose.

## Canseco Goes Gently Into the Night

The Associated Press

OAKLAND, California — After suffering the indignity of being benched with the Oakland Athletics facing elimination in the World Series, Jose Canseco was given one final chance to redeem himself.

He failed, ending a postseason in which he barely resembled the most feared hitter in baseball, the one who hit 37 home runs with 101 runs batted in in 1990 despite missing 31 regular-season games.

Canseco was kept out of the A's starting lineup because of back and finger injuries, but got his final opportunity in the ninth inning as a pinch hitter. His team was down a run. Any hit would suffice.

Instead, he grounded out weakly to third to cap a series of disappointments that prompted



